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NINTH REPORT

OF THE

PUBLIC INVESTMENTS COMMITTEE

ON THE ACCOUNTS OF

STATE CORPORATIONS

VOLUME I

2000

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NINTH REPORT

OF THE

PUBLIC INVESTMENTS COMMITTEE

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STATE CORPORATIONS

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VOLUME I

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PREFACE

Mr. Speaker Sir,

On behalf of the Members of the Public Investments Committee, I beg to move the adoption of the Ninth Report of the Committee on the Accounts of State Corporations.

MANDATE

The Public Investments Committee is a Select Committee established under Standing Order No. 148 as follows:

148(1) There shall be a Select Committee to be designated the Public Investments Committee for examination of the working of the public investments. The Public Investments Committee shall consist of a Chairman who shall be a Member who does not belong to the parliamentary party which is the ruling party and not more than ten Members who shall be nominated by the House Business Committee to reflect the relative majorities of the seats held by each of the parliamentary parties in the National Assembly.

Provided that the ruling party shall have a majority of not more than two.

(2) The Public Investments Committee shall elect its own Chairman.

(3) The Chairman and four other Members of the Public Investments Committee shall constitute a quorum.

(4) In the absence of the Chairman, a Member designated by him shall take the Chair and in their absence the Members present shall elect one of them to act in his stead.

(5) The functions of the Public Investments Committee shall be:

(a) to examine the reports and accounts of the public investments;

(b) to examine the reports, if any, of the Auditor-General (Corporations) on the public investments; and

(c) to examine, in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments are being managed in accordance with sound business principles and prudent commercial practices:

Provided that the Public Investments Committee shall not examine or investigate any of the following, namely:

(i) matters of major Government policy as distinct from business or commercial functions of the public investments;

(ii) matters of day-to-day administration; and

(iii) matters for the consideration of which machinery is established by any special statute under which a particular public investment is established.

The procedure of a Select Committee and other related matters thereto is covered under Standing Orders Nos.151-162. The Committee has power, under the provisions of the **National Assembly (Powers and Privileges) Act** (Cap.6), the **State Corporations Act** (Cap.446) and the **Exchequer and Audit Act** (Cap 412), to summon witnesses and receive evidence.

The Public Investments Committee has unanimously agreed to the Ninth Report on the Accounts of State Corporations, and pursuant to the provisions of Standing Order No.162, I, on behalf of the Committee, beg to lay the said Ninth Report on the Table of the House.

MEMBERSHIP

HON. MWANGI GITHIOMI, M.P. (CHAIRMAN)	-	**DP**
HON. ABUBAKAR M. BADAWY, M.P.	-	**KANU**
HON. JOHN K. SAMBU, M.P.	-	**KANU**
HON. DAVID KOMBE, M.P.	-	**KANU**
HON. SAYYID AMIN, M.P.	-	**KANU**
HON. ALI I. SHAABAN, M.P.	-	**KANU**
HON. K.M. SANG', M.P.	-	**KANU**
HON. G. M. PARPAI, M.P.	-	**DP**
HON. OCHILO AYACKO, M.P.	-	**NDPK**
HON. JOSEPH A. DONDE, M.P.	-	**FORD-K**
HON. KYALO KAINDI, M.P.	-	**SDP**

EXECUTIVE SUMMARY

of the Committee's Observations

and

Recommendations

PROCEEDINGS

The Committee held **One Hundred and Ten Sittings** in which it closely examined the audited accounts of State Corporations and the reports thereon by the Auditor-General (Corporations). The Committee also undertook field tours and made on-the-spot study of projects in Nairobi, Rift Valley and Coast Provinces. The exercise covered Kenya Airports Authority, Jomo Kenyatta International Airport Rehabilitation Project; Kenya Ports Authority; Kenya Posts & Telecommunications Corporation - Unsurveyed Plot in Malindi Town; National Water Conservation & Pipeline Corporation, Kiserian Water Dam and Malindi; National Housing Corporation (Malindi); Export Processing Zones Authority; Westmont Power (K) Ltd and Kenya Cashewnuts Factory, Kilifi.

Brief reports of these field tours can be found in the respective Minutes of the Committee and in the **HANSARD REPORT.** In short, however, these tours demonstrated to the Committee that it is extremely necessary to see what is happening on the ground in order to appreciate the real interaction with, and the impact on the public.

The Minutes of the Committee are hereto annexed (Annex A) and copies of the **HANSARD REPORT** have been placed in the Parliament Library. The Committee held two meetings with the Attorney-General, the Permanent Secretary/Secretary to the Cabinet and Head of the Public Service and the Permanent Secretary/Treasury. The agenda of the meetings focused mainly on the implementation status of the past PIC recommendations and policy issues that are pertinent to the management of public investments and the harmonisation of enabling Acts. A summary of the issues that were discussed can be found in the Minutes of the meeting of the Committee as well as in this Executive Summary.

Pursuant to provisions of Standing Orders No.148 (5) (a) and (c), the Committee summoned a number of State Corporations whose accounts had not been audited by the Auditor-General (Corporations) nor had their accounts been tabled in the House. The Committee examined the operational and management matters pertaining to the Corporations in order to find out whether their investments were being managed in accordance with sound business principles and prudent commercial practices. The State Corporations included Kenya Seed Company, Kenya Medical Training College, Nzoia Sugar Company, National Hospital Insurance Fund, Agricultural Development Corporation, Kenya Power & Lighting Company, Kenya Electricity Generating Company, Mumias Sugar Company and Chemilil Sugar Company. Arising from the evidence adduced by the concerned Chief Executives, the Committee made appropriate recommendations on the issues examined.

The implementation status of the Eighth Report has been printed separately as a Treasury Memorandum which will be discussed together with this Report and is annexed hereto (Annex C).

The Committee made and reached all its decisions by consensus. In conducting retrospective inquiry into whether or not the affairs of public investments were managed in accordance with sound business principles and commercial practices, the Committee

heard and received both oral and written evidence from the Chief Executives of various State Corporations and other relevant witnesses. The recommendations on the issues raised by the Auditor-General (Corporations) will be found under appropriate paragraphs of the Report.
The records of evidence, documents and notes received by the Committee form the basis of the observations and recommendations outlined in the Report and can be found in the **HANSARD REPORT** of the Committee available in the Parliamentary Library.

These ***observations*** and ***recommendations*** if taken into account and implemented without fear or favour will enhance accountability, transparency, efficiency, good management and profitability in the various State Corporations and the public investments sector as a whole.

OBSERVATIONS

In examining the audited accounts of State Corporations, the Committee's primary approach was to elicit background information as to why particular courses of action were or were not taken, keeping in view the relevant financial management principles and regulations. This must be clearly understood because it is the basis of the Committee's observations and recommendations. The role of this Committee is to ensure that high standards of public morality and productive efficiency are maintained in public investments. Moreover, the Committee acts on behalf of the public when scrutinising the activities of Public Corporations.

Unless these Corporations are run in the interest of the public, they would have no reason to exist. It is, therefore, the duty of the Committee and the Kenya Public at large to safeguard and promote this public interest in the State Corporations. This cannot be done without due regard to sound business principles in the management of public institutions and assets.

Below is a summary of the Committee's observations on the operations and management in the various State Corporations:

1. EXEMPTION OF CORPORATIONS FROM THE PROVISIONS OF THE STATE CORPORATIONS ACT (CAP 446)

In its previous Reports the Committee recommended that any exemption should be based on prudent business practices and that all previous exemptions which are not based on this requirement should be revoked.

In its Seventh Report the Committee recommended that the Corporations exempted from specific provisions of the State Corporations Act (Cap 446) must have their accounts audited by the Auditor-General (Corporations) and tabled in Parliament by their Parent Ministries in accordance with the Exchequer and Audit Act (Cap 412).

The Committee noted that the Government has since reviewed its policy on

exemption and that exemptions given in the recent past have been on specific provisions of the State Corporations Act (Cap.446) rather than blanket exemption.

The Committee however noted with concern that the Corporations which are exempted from the provisions of State Corporations Act (Cap. 446) have continued to have their accounts audited by private Auditors without authority of the Auditor-General (Corporations). By this act the said Corporations have avoided having their affairs scrutinised by the Public Investments Committee as provided for by the law.

The Committee reiterates its earlier recommendation contained in the Eighth Report that in future no exemption should be granted to any State Corporation that would exclude its accounts from being audited by the Auditor-General (Corporations) and scrutinised by the Public Investments Committee. The Committee further recommends that exemptions given in the past should not be deemed to have excluded the accounts of the affected Corporations from being audited by the Auditor-General (Corporations) and scrutinised by the Public Investments Committee of Parliament.

2. PRIVATISATION

The Committee noted that some recommendations contained in its Fifth, Sixth, Seventh and Eighth Reports have not been acted upon. The Committee further noted that the provision of pre-emptive rights continue to be abused by Executive Secretariat and Technical Unit (E.S.T.U) and Parastatal Reform Programme Committee (P.R.P.C.) inspite of the Committee's earlier recommendations e.g. in the sale of Kenya Cashew nuts Limited.

The privatisation programme continue to be carried out without transparency and accountability leading to heavy losses of public funds.

The Committee reiterates its earlier recommendations in the Sixth Report (Page xxxiii) and Eighth Report (Page xix) that Treasury should ensure that there is transparency and accountability in the privatisation process. The Committee also reiterates its earlier recommendation in the Fifth Report that a Bill on Privatisation should be tabled in Parliament so that the House can debate on all relevant issues and come up with a policy that will have a national consensus and proper basis in law. The above said Bill should be brought to the National Assembly by 30th September, 2000.

3. APPOINTMENT OF STATE CORPORATIONS BOARDS AND CHIEF EXECUTIVES AND THEIR REMUNERATION

The Committee noted the following:-

(i) Most appointees to Boards of Directors have not measured to the

requirements of the performance of their work in the respective State Corporations.

(ii) Appointments to the Boards of Directors of State Corporations have been done without due regard to the stake holders e.g. in National Social Security Fund, Nzoia Sugar Company and Kenya Cashewnuts Limited

(iii) Chief Executives appointed to manage respective State Corporations have been so appointed without regard to technical qualifications, integrity of the person concerned, past performance, age and relevant experience.

The Committee reiterates its earlier recommendation in the Eighth Report (Page xix) that:-

(i) The persons appointed to be Members of the Boards of Directors must possess relevant qualifications, experience and be persons of integrity in society and within the age limit as per Government regulations.

(ii) The Inspector of State Corporations must satisfy himself that all major decisions to be implemented by Chief Executives have been approved by the Boards of Directors.

(iii) Parent Ministries and the Treasury should not authorise any expenditure unless it is accompanied by evidence of the Boards approval as stated in Section 12 of the State Corporations Act (Cap 446).

(iv) Parent Ministries, the Treasury and Inspector of State Corporations must ensure that at all times State Corporations are run by legally constituted Boards as per the provisions of Section 6(2) of the State Corporations Act (Cap 446) and that these Boards should not exceed the number stipulated by the enabling Acts.

(v) All stake holders must be involved in the appointment of Board Members. Where the enabling Acts do not make the above provision, the Attorney General should ensure that affected Acts are amended to enable stake holders appoint their representatives to the Boards.

(vi) The Appointing Authorities must ensure that there is transparency and accountability in the appointment of Chief Executives. When appointment of a Chief Executive is due, the Board must ensure that the post is advertised.

(vii) The Attorney-General should urgently introduce appropriate legislation to provide for vetting of any appointment of Chief Executives by Parliament before 31st December, 2000.

4. PROCUREMENT PROCEDURES AND AWARD OF TENDERS

The Committee observed that certain State Corporations either purchased land, procured goods and services or awarded tenders in total disregard to the laid down procedures e.g.

(i) Kenya Ports Authority

In August 1995, the Board of Directors awarded six (6) different contracts totalling Kshs.2,686,864,250 for construction of Container Freight Station in Mombasa. The project was not in the year's initial budget and the contracts were entered into without prior detailed feasibility studies. The Government later terminated this project leading to a loss of about Kshs. 673 million which the Authority had to pay on termination of the project.

(ii) National Cereals and Produce Board

(a) During the 1995/96 financial year, the Board was unable to recover other trade debts amounting to Kshs.1,001,481,689 which includes Kshs.124,877,201 paid to gunny bags suppliers before the bags were actually delivered.

(b) The Board has been unable to recover Kshs.42,442,160 owed by the purchaser of Kenya Cashewnuts Ltd.

(iii) National Social Security Fund

During the 1995/96 financial year, the Fund bought 8 plots at Kshs.2,883,660,000 in total disregard to the earlier valuations which put the price of the plots at Kshs.2,107,283,000 thereby occasioning a loss of Kshs.776,377,000.

(iv) Kenya National Trading Corporation

During the 1994/95 financial year, the Corporation suffered a loss of Kshs.421,824,780 arising from a loan of Kshs.600,000,000 which the Corporation had borrowed from a bank without Parliamentary approval for sugar importation. Further, the Corporation made a net loss of Kshs.413,250,580 in the same year due to imprudent management and lack of internal controls.

(v) National Oil Corporation of Kenya

In December 1994 the Corporation purchased plot No. Block 16/263 in the Municipality of Nakuru measuring 1.2131 of a hectare at Ksh.14.5 million against a professional valuation of Kshs.11,800,000. This led to a loss of about Kshs.2,700,000.

(vi) **Lake Basin Development Authority**

In 1988, the Authority awarded a tender for the construction of its Headquarters together with staff housing project which by the time it stalled, had incurred Kshs.72,923,139.

(viii) **Industrial and Commercial Development Corporation (ICDC)**

In 1989 the Corporation financed the Soya Oil and Food Industries Ltd under the guarantee of the Government of Kenya for the establishment of the Soya Bean Oil Solvent Extraction Plant. By the time the project stalled, it had incurred an expenditure of Kshs.958,844,400 as at 30th June, 1995.

(ix) **Export Processing Zones Authority**

During the 1994/95 financial year, the Authority awarded a contract in respect of Administration and ancillary buildings at an initial cost of Kshs.122,274,860 and the final cost being Kshs.309,270,047 thereby causing a variation of Kshs.177,996,186.

The Committee reiterates its earlier recommendation contained in the 8th Report (Page xx) that the Executive arm of the Government should implement all the Public Investments Committee recommendations to date inorder to curb the rampant abuse of office and disregard of laid down financial regulations in procurement procedures and award of tenders.

The Committee further recommends that the Inspector of State Corporations must carry out his duties as specified in the State Corporations Act (Cap 446) to curb abuse of office and flouting of financial regulations with regard to procurement procedures and award of tenders.

5. INVESTMENT OF FUNDS CONTRARY TO TREASURY GUIDELINES

The Committee noted that certain State Corporations invested funds in ailing financial institutions which were later liquidated/put under receivership and which is contrary to Treasury Circular No. 10 of 1992. The Committee further noted that the said Corporations have not had interest in the management of affairs of the institutions where the funds are invested.

The Committee reiterates its earlier recommendation in the Seventh (Page xxvii) and Eighth Report (Page xx) that the Inspectorate of State Corporations should be strengthened to ensure more stringent inspection of State Corporations in order to prevent financial mismanagement by Chief Executives in respect of investment of funds. The Committee further recommends that Treasury should review its Circular No. 10 of 1992 to ensure security and profitable returns of Corporations' funds.

The Committee also recommends that the Corporations which have invested funds in ailing financial institutions should take interest in the management affairs of those institutions and ensure that they hold Annual General Meetings.

6. OFFICES OF THE AUDITOR GENERAL (CORPORATIONS) AND INSPECTOR OF STATE CORPORATIONS

The Committee noted that inspite of its previous recommendation to the Government that the Office of the Auditor-General (Corporations) be granted security of tenure and requisite autonomy, no steps have been taken by the Attorney General to implement the recommendations.

The Committee observed that there was laxity in the Office of the Inspector of State Corporations in ensuring effective running of most State Corporations because of its failure to invoke provisions of Section 18 of the State Corporations Act, (Cap.446).

The Committee further observed that for the Office of the Inspector of State Corporations to be effective in overseeing the management and operations of the State Corporations, the holder of the Office of the Inspector of State Corporations should be granted security of tenure.

The Committee recommends that the Attorney-General should ensure that the legal restructuring of the Office of the Auditor-General (Corporations) in respect of autonomy and security of tenure is finalised.

The Committee further recommends that the Office of the Inspector of State Corporations should be granted security of tenure.

The Committee also recommends that the Inspector of State Corporations should adhere to the provisions of Section 18 of the State Corporation Act, (Cap.446) in order to ensure effective management of State Corporations.

7. IMPRESTS

The Committee noted that certain State Corporations have continued to issue imprests without following the laid down rules and regulations with regard to the issuance and surrender of imprests. In one instance, the Chief Executive of National Housing Corporation Mr. Lawi Kiplagat had an outstanding imprest of Kshs.6,969,351.10 as at 26th August, 1999.

The Committee recommends that the State Corporations should stick to the rules and regulations governing the issuance and surrender of imprests failure to which, the respective Boards should take the necessary disciplinary actions including dismissal of the concerned officers.

The Committee further recommends that the parent Ministries should take disciplinary action which should include recovery of the imprests and dismissal for Chief Executives who fail to follow rules and regulations governing the issuance and surrender of imprests.

8. USE OF CREDIT CARD

The Committee noted that certain Chief Executives of the State Corporations have incurred expenditures through the use of credit cards in clear contravention of the Office of the President Circulars No.1/93 of 29th April, 1993 and OP 2/21/VOL/41/42 of 17th March, 1993 which prohibit charging of subscription to and expenses on credit or charge cards to public funds.

The Committee recommends that the use of credit cards by Chief Executives and other officers of the State Corporations to incur expenses on public funds should be stopped forthwith.

9. LATE SUBMISSION OF ACCOUNTS

The Committee noted that accounts of several State Corporations are submitted to the Auditor-General (Corporations) late and that no legal action has been taken against the Chief Executives concerned. e.g. Kenyatta University (1991/92); Kenya Dairy Board (1994/95); Lake Basin Development Authority (1994/95); Kenya Pipeline Company (1995/96) among others.

The Committee recommends that the Chief Executives who cause delay in the submission of accounts and fail to seek parliamentary approval to submit accounts outside the statutory period should be dismissed from the public service.

The Committee further reiterates its earlier recommendations made in the Seventh Report (Page xxxv) and Eighth Report (Page xxv) that:-

(i) The State Corporations should submit their accounts in time as required by the Exchequer and Audit Act (Cap. 412).

(ii) The parent Ministries should ensure that Corporations submit their annual accounts to the Auditor-General (Corporations) in time as stipulated by the law.

10. PENSION FUNDS

The Committee noted that some State Corporations have irregularly utilised pension funds while others have invested the funds in ailing financial institutions which has led to payment of pension to employees after they retire doubtful.

The Committee recommends that the State Corporations should establish pension schemes to be managed by independent Boards and managers in accordance with the provisions of the Retirement Benefits Act.

SUMMARY OF ISSUES DISCUSSED WITH THE ATTORNEY-GENERAL, PERMANENT SECRETARY, SECRETARY TO THE CABINET AND HEAD OF THE PUBLIC SERVICE AND PERMANENT SECRETARY - TREASURY

IMPLEMENTATION STATUS OF THE SPECIFIC RECOMMENDATIONS OF THE SEVENTH AND EIGHTH PUBLIC INVESTMENTS COMMITTEES' REPORTS

1. LEGAL ACTION ON CORRUPTION, MISAPPROPRIATION AND MISMANAGEMENT OF FUNDS IN STATE CORPORATIONS.

The Attorney-General updated the Committee on legal action taken against the following persons as a follow up of the recommendations made in the Seventh and Eighth Reports:-

(i) ***Mr. Alfred Kiptanui Keter*** - (National Cereals and Produce Board). The Attorney General informed the Committee that the said person has moved abroad to a country where Kenya has no extradition treaty.

(ii) ***Mr. D. K. Tirop and Mr. P. K. arap Magut*** - (Kenya National Trading Corporations).

The Committee was informed that the Attorney General is still awaiting the investigation reports from the Commissioner of Police.

(iii) ***Mr. Cyrus Maina*** - (Teachers Service Commission)

The Attorney General informed the Committee that the allegedly refund of Kshs. 2 million by Mr. Cyrus Maina does not absolve him from being prosecuted.

(iv) ***Mr. Alfrick Birgen*** -(Tana & Athi River Development Authority-TARDA). The Attorney General informed the Committee that the appeal against the sentence is yet to be heard.

(v) ***Mr. Justus Mudavadi*** - (Kenya Sugar Authority)

The Attorney General informed the Committee that the Kenya Sugar Authority should take action.

(vi) ***Mr. Lawi Kiplagat*** - (Milling Corporation of Kenya). The Committee was informed that the Attorney General is still awaiting the investigation report from the Police Commissioner.

The Committee recommends that the Attorney-General should commence criminal proceedings against people named in the Eighth Report and in particular against *Mr. O.F. Njiru*, in paragraph 5 of the 1995/96 accounts of Kenya Port Authority and *Mr. S. Muindi*, paragraph 4 of the 1994/95 accounts of the National Social Security Fund.

2. AMENDMENT OF THE PENAL CODE TO DEAL WITH THE ECONOMIC CRIMES

The Attorney General informed the Committee that the task force has submitted its report and that the Attorney General is liaising with Kenya Anti-Corruption Authority (KACA) and Select Committee on Corruption with a view to publishing a bill on economic crimes soon.

3. EXEMPTION OF CORPORATIONS FROM THE PROVISIONS OF THE STATE CORPORATIONS ACT (CAP 446)

The Committee was informed that the proposed amendment bill to the state Corporations Act (Cap 446) is awaiting cabinet approval.

4. PRIVATISATION

The Permanent Secretary, Treasury informed the Committee that a policy paper on the legislation of privatisation is awaiting cabinet approval.

The Committee was further informed that future privatisation will be undertaken within the proposed policy paper framework.

5. OFFICE OF THE AUDITOR-GENERAL (CORPORATIONS)

The Committee was informed that the Office of the Auditor-General (Corporations) is set to be merged with the Office of the Controller and Auditor-General and that a cabinet paper on this merger will soon be presented to the cabinet for consideration and approval. The Committee was further informed that the r..ove to merge the office of the Auditor-General (Corporations) with the Office of the Controller and Auditor-General is meant to strengthen its effectiveness and gives it security of tenure and autonomy.

The Committee recommends that the Attorney-General should ensure that the restructuring of the Office of the Auditor-General (Corporations) in respect of autonomy and security of tenure is finalised by 30th September, 2000.

6. IRREGULAR PROCUREMENT AND TENDERING PROCEDURES

The Committee was informed that the government in recognition of the enormous amounts of public funds lost through irregular tendering, variation of tenders and contract costs, issued two circulars Ref.OP.39/1A and OP.9/1A dated 15th May, 1998 and 11th August, 1998 respectively streamlining procurement and tendering procedures and administration of public resources.

The Committee heard that the government is committed to enforcing the requirements of the above circulars and the following recent appointment of the State Corporations Appeal Tribunal, the process of consolidating cases for individual and collective surcharge action has already been commenced.

The Committee reiterates its earlier recommendation in the Eighth Report that the Executive arm of the Government should implement all the Public Investments Committee recommendations to date inorder to curb the rampant abuse and disregard of laid down financial regulations in procurement procedures and award of tenders.

The Committee recommends that the Inspector of State Corporations must carry out his duties as specified in the State Corporations Act (Cap 446) to curb further flouting of financial regulations with regard to procurement and award of tenders.

7. CONSULTANCY

The Committee was informed that Corporations were directed vide circular Ref.OP.39/1A of 15th May, 1998 that they must use available expertise in the organisation with regard to the services of consultants and that acquisition of professional services must be done strictly on qualifications.

The Committee was further informed that State Corporations have also been directed that remuneration for technical consultancy services should be pegged to net profits on the contracted activity and that reports of improprieties involving individuals or Boards of Directors will be dealt with in terms of section 19 of the State Corporations Act in addition to other legal actions.

The Committee observed that pending bills arising from suspect consultancy services offered should be reassessed with a view to isolating genuine from questionable bills.

The Committee recommends that the Permanent Secretary to the Cabinet and Head of the Public Service should issue a circular to all Heads of Parastatals on the hiring of professional services and in particular, the modalities to be followed when settling bills arising thereof.

8. DORMANT/ABANDONED/UNCOMPLETED PROJECTS

The Committee was informed that the Government is taking stock of all the dormant, abandoned and uncompleted projects with a view to making an inventory and arising out of it, recommendation to be made to the Cabinet on what projects should be completed, abandoned or sold.

9. HONORARIUM

The Committee noted that the staff of the National Assembly who have serviced the Public Investments Committee in the past have since been paid their honoraria in accordance with the past recommendation of the Committee.

The Committee while noting that payment of honoraria was suspended by the Government vide DPM Circular Letter No.21/1A Vol.IX/20 of 20th May, 1999, recommends that the staff of the Auditor-General (Corporations), the Department of Government Investments and Public Enterprises of the Treasury and the staff of the National Assembly who serve the Committee should continue to be paid honorarium as appreciation and incentive given the tedious and complex duties they are undertaking.

10. CONCLUSION

The Committee would also wish to record its appreciation for the services rendered by the Auditor-General (Corporations), the staff of the National Assembly, the Inspectorate of State Corporations and the Department of Government Investments and Public Enterprises of the Treasury.

Indeed, their commitment to duty have made the work of the Committee and production of the Report possible.

(HON. MWANGI GITHIOMI, M.P.)

SIGNED:.....
(CHAIRMAN)

DATE: 21-7-2000

KENYA POSTS AND TELECOMMUNICATIONS CORPORATION

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

1.0 FINANCIAL POSITION

1.1. The Balance Sheet reflects a negative working capital figure of Kshs.42,146,030 (199/95 - negative Kshs.256,725,000) as at 30th June, 1996. Further, the Balance Sheet Stocks figure of Kshs.7,029,107,7000 as at 30th June, 1996 is overstated by Kshs.6,776,730340 comprising of capital projects planned works and furniture and equipment as reflected in Note 5.3.1. to the Accounts. Had the amount of Kshs.6,776,730,340 been properly treated and accounted for in these accounts, as Works-in-Progress, the net current assets (working capital) figure would have been a negative figure of Kshs.6,818,876,370.

1.2 The Other Creditors' figure of Kshs.24,367,469,080 includes amounts of Kshs.9,418,377,360, Kshs.5,554,789,620 and Kshs.7,668,654,670 in respect of interest and management charges, unremitted statutory deductions and current redemption maturities and arrears respectively as reflected in Note 5.4.2 to the Accounts. The Corporation was, therefore, unable to meet its financial obligations as they fell due.

1.3 In view of the above, the Corporation's continued operation depends on the support of the Government, lenders and other creditors.

The Committee heard the evidence given by the Chief Executive (Telkom Kenya) that the Corporation's Balance Sheet reflected a negative working capital figure of Kshs.42,146,030 as at 30th June, 1996 and that had an amount of Kshs.6,776,730,340 been treated and accounted for in the Balance Sheet stocks, as works-in-progress, the net current assets would have been a negative figure of Kshs.6,818,876,370.

The Committee further heard that the Other Creditors' figure of Kshs.24,367,469,080 consist of Government on-lent loans and arrears of Corporation tax, Value Added tax (VAT) and Customs and Excise duty payable to the Kenya Revenue Authority (KRA).

The Committee was informed that:-

(i) The Corporation has instituted measures on the accounting treatment of a capitalisable stocks on the on-going computerization of the Corporation's stores system and that computer codes have been allocated to individual items in the stores to facilitate their quantification and eventual accounting

for as capital works-in-progress.

(ii) In order to resolve the Corporation's indebtedness, two Committees were constituted to determine and extinguish debts between KPTC, the Government and other parastatals, and to determine the Corporation's liability to KRA in respect of Corporation Tax, VAT and Customs and Excise Duty, and that the Committees found that the net amount owed to Government was Kshs.22.7 billion while liability in respect of KRA amounted to Kshs.24,880,000,000.

(iii) The findings of the Committees were incorporated into a joint Cabinet Paper which was approved by the Cabinet on 20th April, 1999 and they included the conversion to equity of GOK on-lent loans amounting to Kshs.22.7 billion; Waiver on accrued interest and penalty charges on Corporation Tax, VAT and Customs and Excise Duty amounting to Kshs.18.4 billion while the balance of Kshs.6.48 billion is to be paid by the Corporation in weekly settlements of Kshs.90 million.

(iv) The Telkom Kenya Limited is fully committed to liquidating the total liability of Kshs.6.48 billion in compliance with the provisions of the Cabinet Paper.

The Committee learnt that due to its indebtedness to the tune of Kshs.24,367,469,080, the Corporation was unable to meet its financial obligations as they fall due and its continued operation depends on the support of the Government, lenders and other creditors.

The Committee therefore recommends that the Chief Executive should treat work-in-progress amounting to Kshs.6,776,730,340 in accordance with International Accounting Standards which require that the amount be capitalised instead of being treated as current assets.

The Committee further recommends that the Chief Executive should pay the balance of Kshs.6.48 billion in compliance with the provisions of the Cabinet Paper.

2.0. INACCURACIES IN THE ACCOUNTS

2.1. As in the previous years, a review of the accounts for 1995/96 financial year revealed that the accounts still contained numerous errors of omission, commission, compensating and over and under-statements.

2.2. Although these major errors which would have necessitated amendments to the 1995/96 accounts were notified to the Corporation through management letters, the Corporation did not take corrective action in the accounts. Further, the Corporation had not carried out acceptable and satisfactory reconciliations on some of the major accounts such as cash and bank, Money orders, debtors, creditors, fixed asset, stores stocks, an omission which had an undeterminable effect on the accuracy of the accounts.

In view of the foregoing major errors and lack of acceptable and satisfactory reconciliations, the accounts in their present state would appear misleading and it was, therefore, not possible to ascertain the correctness of the net surplus figure of Kshs.5,237,721,370 reflected in the General Operating and Net Revenue Account for the year under review. Similarly, the correctness of some of the figures in the Balance Sheet is also doubtful.

The Committee heard the evidence given by the Chief Executive that the Corporation's accounts still contained numerous errors of omission, commission, compensating and over and under-statements which have had an adverse effect on the accuracy of the accounts.

The Committee was informed that to improve the quality of the accounts and to eliminate accounting errors and omissions, the Corporation has taken the following steps:-

(i) Realigned the departmental functions and structures, and undertook computerisation in close association with the Treasury appointed financial consultants, M/s KPMG Peat Marwick.

(ii) Partial computerisation in some of the Finance and Accounts Department operations like Asset Accounting, Cash Accounting and Bank Reconciliation.

The Committee noted that the Corporation has done accounting adjustments for subsequent audit queries and incorporated the same in the 1997/98 Annual Accounts.

The Committee noted with concern that the Corporation's accounts have for a long time not been reconciled which compromises internal controls and the accuracy of the accounts.

The Committee recommends that the Chief Executive should ensure that the accounts of the Corporation are properly reconciled and adjusted as advised in the management letter and agreed with the Office of the Auditor-General (Corporations).

3.0 SALE OF DRIVE-IN ESTATE LR.7879/4 - OUTERING/THIKA ROAD

In June 1983 the Corporation undertook to buy maisonettes proposed to be built on Plot No.LR.7879/4 by a developer at a price of Kshs.330,000 per maisonette. The Corporation paid a total sum of Kshs.71,249,345 which sum includes Kshs.64,680,000 being the price of 196,maisonette and Kshs.6,569,345 in respect of legal fees.

The Corporation later sold the 196 maisonettes to Office of the President for a total amount Kshs.64,680,000 thereby occasioning a direct loss of Kshs.6,569,345. Further, the Office of the President had, by 30th June 1996, not paid the balance of Kshs.15,680,000 and was, therefore, in breach of the Sale Agreement.

The Committee heard the evidence given by the Chief Executive that the Corporation in June 1983 bought 196 Maisonettes on Plot LR.7879/4 from M/s Afrison Export/Import Ltd and Huelands whose directors are Messrs. Francis Mburu and S.G. Kimani, J. W. Maina and Philip Wahome respectively at a total cost of Kshs.71,249,345 out of which Kshs.6,569,345 was in respect of legal charges.

The Committee further heard that the Corporation later sold the Maisonettes to the Office of the President for Kshs.64,680,000 thereby incurring a loss of Kshs.6,569,345.

The Committee noted that the office of the President has paid the outstanding balance of Kshs.15,680,000 vide cheques Nos. DI-003026 and 003041.

The Committee further noted that the Registrar of Companies *Mr. Omondi-Mbago* inspite of being summoned by the Committee, did not avail information sought by the Committee, was evasive and rude to the Committee and that even when he was given a second chance to avail the said information declined to do so and continues to defy the Committee to date.

The Committee made the following observations that:-

(i) The Corporation bought 196 maisonettes at a sum of Kshs.64,680,000 from M/s Afrison Export/Import Limited and Huelands Limited and then sold them for the same amount to the Office of the President six years later.

(ii) The Corporation did not include an amount of Kshs.6,569,345, in respect of legal fees, in the purchase price offered to the Office of the President. This omission occasioned a direct loss of Kshs.6,569,345 to the Corporation.

(iii) Even though the former Kenya Posts and Telecommunications Corporation bought 196 maisonettes from the vendors and later sold to the Office of the President, the parcel of land on which the said maisonettes stand, has never been transferred to the former Kenya Posts & Telecommunications Corporation, nor the Office of the President.

(iv) The then management of Kenya Posts and Telcommunications Corporation acted reckelessly by failing to effect the transfer of land until 1997 when new interests cropped up and complicated the exercise.

The Committee recommends that the Corporation should recover an amount of Kshs.6,569,345 in respect of legal fees from the Office of the President.

The Committee further recommends that the Registrar of Companies, *Mr. Omondi Mbago* should be dismissed from the Office of the Registrar-General.

The Committee also recommends that the Chief Executive should liaise with the Office of the President and Official Receiver with a view to transfering the land on which the 196 maisonettes stand to the Office of the President.

4.0 PURCHASE OF KAREN PLOTS LR.NOS.12445 AND 12550

4.1 In the previous years' reports, reference was made to the unsatisfactory manner in which the Corporation paid for two plots of land at Karen L.R. No.12445 and LR.No.12550 for a total sum of Kshs.62,764,141 out of which an amount of Kshs.4,716,471 was in respect of penalties imposed by the vendors. In addition, the Corporation had incurred expenditure amounting to Kshs.196,761,385 in respect of professional fees on the plots.

4.2. The vendors have still not been able to transfer the two plots of land to the Corporation. The advocates of the Corporation, who were the vendors, also purportedly acted for themselves as the owners of the two plots. In addition, the advocates were observed to have released and or paid Kshs.62,764,141 to themselves as vendors in contravention to the sale agreement since the plots had not been transferred to the Corporation.

In view of the breach of the Sale Agreement by the vendors and the colossal amounts of Kshs.196,761,385 incurred in respect of professional fees, it is not clear why the Corporation has not taken legal action against the vendors for the specific performance of the contract.

The Committee heard the evidence given by the Chief Executive that the Corporation purchased two plots at Karen at a cost of Kshs.58,047,670.00 from the Benja Investments Limited and that the Sale Agreement failed to materialise when the plots could not be transferred to the Corporation as the plots were not owned by the Vendor (Benja Investments Limited).

The Committee noted with grave concern that:-

(i) Messrs Kirundi and Company Advocates who acted as lawyers for both the Corporation and the Vendor, failed to reveal to KP & TC that their Senior Partner Chege Kirundi was a Director of Benja Investment Limited.

(iii) Mr. Chege Kirundi and Benja Limited charged the property to the Kenya Commercial Bank knowing that there was an existing Sale Agreement.

The Committee was informed that following deliberations between M/s Benja Limited and the Corporation's Legal Department, the former agreed to repay the outstanding amount of Kshs.62 million in monthly instalments of Kshs. 1 million to the Corporation but this has not been honoured.

The Committee observed that although the sale agreement was clearly fraudulent, the Corporation entered into an agreement with M/s Benja Investment Ltd for

the repayment of Kshs.62 million per month which has not even been honoured.

The Committee further observed that the involvement of the then Company Secretary, Mr. K.D. Malakwen in the transaction was formal and official.

The Committee was concerned that the Corporation incurred expenditure amounting to Kshs.196,761,385 in respect of professional fees on the plots when it was apparent that the project would not materialise.

The Committee while noting that the agreement between the Corporation and M/s Benja Ltd was a cover-up to attempt to legitimate what was an otherwise fraudulent transaction, observes that the agreement was not genuine and should be treated as null and void.

The Committee recommends that the Attorney-General should expeditiously investigate and institute criminal charges against *Mr. Kipng'eno arap Ng'eny, Mr. Chege Kirundu and Mrs Lucy Wamaitha Chege.*

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

5.0 PENSION FUNDS INVESTMENTS

The Balance Sheet reflects an amount of Kshs.580,795,340 in respect of Pension fund Investments as at 30th June, 1996. However, the Pension and Provident Funds balance as at the same date is depicted as Kshs.2,585,003,330 thereby indicating that the Corporation had borrowed internally some Kshs.2,004,207,990 free of charge. In view of the foregoing, it was not possible to confirm how the Corporation would meet its pension obligations when they fell due.

The Committee heard the evidence given by the Chief Executive that an actuarial valuations carried out by Hymans Robertson Consultants on the Corporation's Pension Liability indicated that the pension liability stood at Kshs.9.4 billion and Kshs.10.15 billion respectively with corresponding fund deposits of Kshs.580 million and Kshs.663 million which showed that the pension fund was under invested.

The Committee was informed that in order to resolve the under-investment of the pension fund, the Corporation has done the following:-

(i) The Teleposta Pension Fund Scheme has been registered with the Kenya Revenue Authustees and Investment Managers have been appointed to provide professional stewardship on assets transferred to the Fund and maximise investment returns on the pension.

The Committee noted that out of 26.8% monthly contribution by the employer, 12.3% additional payments is expected to cover the Kshs.2.5 billion shortfall

within a five (5) year period and that no employee will be penalised in respect of past pension liabilities.

The Committee recommends that the Chief Executive should comply with the provisions of the Retirement Benefit Authority Act in the operations and management of Teleposta Pension Fund Scheme.

6.0. SHORT TERM DEPOSITS

In arriving at the Balance sheet figure of Kshs.494,815,460, the Corporation had made a provision of Kshs.128,189,670 for bad and doubtful debts in respect of deposits held by 4 financial institutions which are under receivership. However, no provision has been made on the interest amount accrued of Kshs.91,832,295. This results in overstating the Short-Term Deposits by the same amount. In the circumstances, it was not possible to confirm the correctness of the Balance sheet Short Term Deposits figure of Kshs.494,815,460.

The Committee heard the evidence given by the Chief Executive that whereas the Corporation made a provision of Kshs.128,189,670 for bad and doubtful debts in respect of deposits held by 4 financial institutions which are under receivership, no provision was made on the interest amount accrued of Kshs.91,832,295.

The Committee was informed that the said financial institutions are:-

(i)	**International Finance**	**Kshs.35,000,000**
(ii)	**Thabiti Finance Co.**	**Kshs.15,802,191.75**
(iii)	**Inter-Africa Finance**	**Kshs.20,000,000**
(iv)	**Continental Credit**	**Kshs.57,387,477.30**
		Kshs.128,189,669.05

The Committee further heard that the Corporation has noted the omission and that the necessary adjustments have been made in the 1996/97 annual Accounts.

The Committee observed that the Corporation deposited large sums of money in non-reputable and unreliable financial institutions which ended up collapsing thereby occasioning a possible loss of money to the Corporation.

The Committee recommends that the Chief Executive should ensure that a provision for bad and doubtful debts in respect of Kshs.91,832,295 is made.

The Committee further recommends the Chief Executive should put concerted efforts to recover Kshs.128,189,669,05 from the Official Receiver.

7.0. CASH AND BANK BALANCES

7.1 The Corporation's Headquarters' bank reconciliations as at 30th June 1996 revealed that payments and receipts totalling Kshs.1,912,338,756 and Kshs.1,548,562,864 respectively were reflected in the bank statements but had not been entered in the relevant bank cash books. Further, amounts totalling Kshs.697,814,897 and Kshs.674,274,354 in respect of unpresented cheques and deposits were reflected in the cash book but not in the bank statements. The Corporation, however, indicates that the four amounts are under investigation, but until such investigation is complete, I am unable to confirm the effect of any discrepancies on the financial position of the Corporation.

7.2 Further, normal adjustments after the bank reconciliation had not been carried out by the Corporation and I am, therefore, unable to ascertain the correctness of the Balance Sheet Cash and Bank balance figure of Kshs.1,343,853,480.

The Committee heard the evidence given by the Chief Executive that the Corporation Headquarters' bank reconciliations as at 30th June, 1996 revealed that payments and receipts totalling Kshs.1,912,338,756 and Kshs.1,548,562,864 respectively reflected in the bank statements were not entered in the relevant bank cash books.

The Committee further heard that the Corporation has put in place mechanism to ensure that the backlogs in cash and bank reconciliations are appropriately addressed and that this include semi-automation of the reconciliation function and weekly monitoring of the reconciliation exercise.

The Committee was informed that:-

(i) Payment in cash book not reflected in the bank statements amounting to Ksh.697,814,897 has since been adjusted and reduced to Kshs.17,094.70.

(ii) Receipts in cash book not in bank statement totalling Ksh.674,274,354 has been adjusted leaving a balance of Kshs.918,910.15 which remains unreconciled.

The Committee recommends that the Chief Executive should reconcile the outstanding amounts of Kshs.936,004.85.

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

UNSURVEYED PLOT IN MALINDI TOWN

The Committee heard the evidence given by the Chief Executive that the former Kenya Posts and Telecommunications Corporation entered into an agreement on October 22, 1997 with M/s Chalan Associates Limited, being the nominee of Municipal Council of Malindi, for the purchase of an unsurveyed plot at Malindi

Municipality at Kshs.10 million.

The Committee was informed by Mr. J.K. Yego of M/s Chalan Associates Ltd that:-

(i) Out of the Kshs.10 million paid by the Corporation; Kshs.6.5 million was paid to the then Clerk Mr. Edward Macdonald Karani allegedly on behalf of the Council; Kshs.250,000 to M/s Musyimi & Company Advocates; the Commissioner of Lands Kshs.35,994 in form of stand premium and the remaining amount taken by M/s Chalan Associates Ltd as fees, costs and commissions.

(ii) The payment of Kshs.6.5 million to Mr. Karani on behalf of the Councillors, was made through Account name: Edward M. Karani, Account No. 0100161297000, Standard & Chartered Bank, Yaya Centre Branch, Nairobi.

The Committee was also informed by Mr. Edward Karani, the former Clerk of Municipal Council that:-

(i) The plot was allegedly allocated to the Malindi Councillors in 1997 and the proceeds of the sale distributed to the Councillors after all the outstanding debts by the Councillors in form of imprests, advances etc had been fully paid.

(ii) The then Mayor Councillor Japheth Luganje, his deputy Councillor Fuad Rudainy and Councillor Omar Balleth, who was the Chairman of the Finance Committee, were fully aware of the said transaction being pursued by their nominee.

The Committee also heard from the current Clerk of the Malindi Municipal Council Mr. Jilo that the entire transaction was outside the normal council transaction.

The Committee observed the following:-

(i) That the said plot indeed belonged to the former Kenya Posts and Telecommunications Corporation as it was granted to the Corporation on 15th October, 1997 for ninety nine (99) years effective from 1st September, 1987 when it was allocated to it well before 22nd October, 1997 when the said Sale Agreement was signed.

(ii) That the Kshs.6.5 million was paid to Mr. Edward Karani as a person on diverse dates via account No.0100161297000, Standard & Chartered Bank, Yaya Centre Branch, Nairobi and not the Malindi Municipal Council.

(iii) There was no evidence to show that Mr. Karani was acting on behalf of the Councillors or any other person other than for himself in the said

transaction.

(iv) **That the then Managing Director, Mr. Jan Mutai, acted imprudently and unlawfully by colluding with the then Clerk of Malindi Municipal Council Mr. Edward Karani and Mr. J.K. Yego of M/s Chalan Associates Ltd to defraud the Corporation of Kshs.10 million.**

The Committee recommends that:-

(i) **The Director of Kenya Anti-Corruption Authority (KACA) should move expeditiously to investigate the then Managing Director, Mr. Jan Mutai, the then Clerk of Malindi Municipal Council, Mr. Edward Karani and Mr. J.K. Yego of M/s Chalan Associates with a view to prosecution.**

(ii) **The Kshs.10 million should be recovered from Mr. Karani, Mr. Jan Mutai and Mr. J.K. Yego.**

(iii) **Mr. Jan Mutai, the former Managing Director, Kenya Posts and Telecommunications Corporation, Mr. Edward Karani, former Clerk, Malindi Municipal Council and Mr. J.K. Yego of M/s Chalan Associates Ltd be barred from holding any public office conferred in the Republic of Kenya.**

(iv) **The Director of Kenya Anti-Corruption Authority should investigate land transaction within the Municipal Council of Malindi between 1992 and 1998.**

NATIONAL CEREALS AND PRODUCE BOARD

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL CEREALS AND PRODUCE BOARD FOR THE YEAR ENDED 30TH JUNE, 1996

1. FIXED ASSETS

1.1. Donor Funded Projects

As mentioned in my previous years' reports, the Fixed Assets figure shown in the Balance Sheet does not include the value of 55 donor funded storage facilities both bulk and conventional with a capacity of 4,469,443 bags. These facilities which the Board has been using were completed and handed over to the Board by the contractors with the knowledge of the Kenya Government but the Board has not incorporated their values into the accounts as the ownership has not been clarified. I have now been advised by the Board that these facilities will be incorporated in the 1996/97 Board accounts but until this is done the fixed assets figure will be understated and the year's operating results overstated.

1.2 Assets Without Proper Documents

Further, the Board's fixed assets figure of Kshs.2,472,577,693 includes pieces of land valued at Kshs.34,776,600 for which the Board did not have title deeds or letters of ownership while others had leases which had expired or were about to expire.

The Committee heard the evidence given by the Chief Executive that the values of donor funded projects had not been incorporated into Board's Fixed Assets Register and Balance Sheet as at 30th June, 1996.

The Committee was however, informed that:-

(i) The valuations of the 55 Donor Funded Projects have been incorporated in the Board's 1996/97 Annual Accounts resulting in increase of the Fixed Assets global valuation by Kshs.3,210,453,502.00.

(ii) The process of official transfer of ownership of the fifty five (55) Donor Funded Projects to the Board had not yet been concluded and that an appropriate Cabinet Memorandum to facilitate the transfer has been prepared and will soon be forwarded to the Cabinet for consideration.

The Committee was also informed that:-

(i) Out of the 57 properties which the Board did not have either title deeds or renewed leases, 16 properties have had title deeds obtained.

(ii) Out of the remaining 41 properties, 6 are awaiting title registration, 18

have been surveyed and Beacon certificate issued, 5 have only been surveyed, 2 are under survey while 10 properties are located on Kenya Railways Reserve Land.

(iii) The Board is aggressively addressing the renewal of expired leases of these properties with the relevant bodies.

The Committee observed that:-

(i) The Board had developed ten properties on the Kenya Railways Siding Reserve land and has been paying annual rent for the said properties.

(ii) The Board has requested Kenya Railways for excision of the plots and that five of the plots are in the process of title procurement or provision of deed plan while letters of allotment are being pursued for the remaining five plots.

The Committee expressed concern over the delay of title processing by the office of the Commissioner of Lands.

The Committee therefore reiterates its earlier recommendation under paragraph 1.1 of the 1994/95 Accounts that the Government should make a policy decision on the ownership of the fifty five (55) donor funded storage facilities and present a Sessional Paper to Parliament on the same.

The Committee also recommends that the Commissioner of Lands should issue title deeds or renew leases of the Board's land properties by 3rd December, 2000.

The Committee further recommends that the Chief Executive should expedite the acquisition of titles for the 10 (ten) parcels of land located on the Kenya Railways Siding Reserve Land.

2. DEBTORS

2.1 Government Debtors

In my previous reports, I expressed concern on the non collection of debts owed by Government Ministries and Departments. The Government debtors figure increased from Kshs.294,479,835 in 1995 to Kshs.309,322,180 as at 30th June, 1996. Out of this amount, Kshs.58,379,491 was indicated as amount transferred to District Commissioners for paying farmers but not accounted for by the District Commissioners as at 30th June, 1996.

Further, the recoverabiiity of subvention due from the Government of Kshs.2,974,232,994 in respect of maintenance of strategic reserves and Kshs.1,277,256,859 in respect of Famine Relief Programme remain doubtful in the absence of adequate Government of Kenya Budgetary Provision.

The Committee heard the evidence given by the Chief Executive that the Board is owed by the Government Kshs.309,322,188 in respect of past shortfalls in subvention grants and value of maize supplied to Famine Relief Programme.

The Committee further heard that:-

(i) A team of consultants commissioned to undertake the commercialisation reform of the Board established that the net debt to be settled by the Government was Kshs.3,091,957,502.82 as at 30th June, 1997.

(ii) In a bid to address the issue of outstanding debt, the Government has made two repayments amounting to Kshs.750 million to the Board in the 1997/98, and 1998/99 Financial years leaving a balance of Kshs.2,341,957,502.85 which includes Kshs.360,099,812 which is owed to NCPB by KFA (former KGGCU) Limited which the Government has not agreed to take on Board.

(iii) The Government has made forward plans for the settlement of the outstanding debt with an inclusion of a budgetary provision of Kshs.400 million in the 1999/2000 printed Estimates.

The Committee was informed that the office of the president has sent special audit teams to various districts where an amount of Kshs.58,379,491 was transferred to for paying farmers but could not be accounted for by the concerned District Commissioners.

The Committee noted that an amount of Kshs.58,379,491 indicated as transferred to District Commissioners (DCS) for paying maize farmers in the NCPB's 1986/87 and 1987/88 financial years have not been accounted for to date by the concerned DCs namely:-

Mr. H.E. Ole Diema, Mr. Tilitei, Mr. Mbaria Maina, Mr. Peter Lagat, Mr. Cyrus Gituai, Mr. Chang'ole, Mr. Ole Waupari, Mr. Ali Sheik, Mr. Victor Musoga, Mr. Peter Saisi, Mr. Nicholas Mberia, Mr. Paul Ngenga, Mr. John Nandasaba, Mr. Peter Muruatetu, Mr. Timothy Sirma, Mr. Francis Lekolool, Mr. John Anguka, Mr. Francis Keitany, Mr. J.B. Mengich, Mr. Alex Jue, Mr. Peter Kagema and Mr. Elijah Guantai.

The Committee therefore recommends that the Chief Executive should continue to liaise with the parent Ministry and the Treasury with a view to ensuring that all the debts amounting to Kshs.2,341,957,502.85 owed by the Government is recovered in full.

The Committee further recommends that:-

(i) The Permanent Secretary in the Office of the President in charge of Provincial Administration should recover the money from the individual DCs before 30th March, 2001.

(ii) The National Cereals & Produce Board should recover an amount of Kshs.360,099,812 owing from the Kenya Farmers Association (KFA) (former Kenya Grain Growers Cooperative Union (KGGCU) by all means including litigation.

(iii) The Attorney-General should investigate the District Commissioners who have held the fund with a view to prosecuting them.

2.2 Staff Debtors

In my report for the previous year I expressed concern on the management's weak controls over the recovery of staff debts. The Balance Sheet debtors figure of Kshs.503,141,287 includes staff debtors amounting to Kshs.141,109,867 as at 30th June, 1996 compared to Kshs.125,710,731 outstanding asof staff debtors. The Committee further heard that out of the said amount, Kshs.122,016,792 relates to outstanding debts against staff who have since left the service of the Board and whose recoverability is doubtful.

The Committee was informed that subsequent recovery effort after 20th June 1998 has realized Kshs.11,422,554.88 thereby leaving outstanding balance of Kshs.129,803,414.58.

The Committee was further informed that the Board has instituted the following strategies for effective management of staff debtors:-

(i) Strict enforcement of cash and stock control at Depot/Silo level.

(ii) Taking timely and decisive action on incidences of cash and stock **losses.**

(iii) Streamlined the procedures for issuances of staff advances and loans.

(iv) Intensified audit checks with continuous reconciliation of all cash and stock related transactions.

The Committee observed with concern that the staff debts have been outstanding for many years and that the rate of recovery is very low.

The Committee reiterates its earlier recommendation under paragraph 2.1 of 1994/95 accounts in the Eighth Report that:-

(i) The Chief Executive should use all possible means including litigation to ensure that all the staff debts are recovered in full.

(ii) The Chief Executive should strictly adhere to the laid down financial regulations with regard to staff loans/advances.

(iii) The Chief Executive should intensify the efforts to strengthen the internal controls.

2.3 Sundry Debtors

The sundry debtors figure of Kshs.28,345,780 shown in note 7.1 to the accounts, also includes various accounts, with balances totalling Kshs.10,507,927 whose analyses were not produced for audit verification:-

	KSHS.
Stamp duty float	1,917,822
Unexplained difference	4,486,841
Unreconciled cash	94,282
PAYE	1,823,399
Cash loss	1,648,747
KFA Suspense	536,836
TOTAL	**10,507,927**

In the absence of the analyses, it was not possible to ascertain the nature, accuracy, age and recoverability of these balances.

The Committee heard the evidence given by the Chief Executive that the Sundry debtors of Kshs.28,345,780 in the accounts includes among others the various accounts with balances totalling Kshs.10,507,927:-

(i) Stamp duty float (A/c No.961157) - Kshs.1,917,822.00. This figure was brought forward from 1984/85 period which was treated as Retention Money under Sundry Creditors accounts and was later transferred to stamp Duty Float in 1992/93 financial year; and whose details and documentary evidence to support it could not be retrieved.

(ii) Paye - (A/c No.911402) - Kshs.1,823,399.00 - This debit balance arose out of income tax deductions remitted to Kenya Revenue Authority out of salary arrears that had not been credited to this account and whose correct entries will be effected during 1998/99 Annual Accounts.

(iii) Un-explained difference (A/c No.911108) - Kshs.4,486, 841.00 - This figure was brought forward from 1984/85 period whose origin has been difficult to determine since the computer print-outs cannot be produced for past transactions beyond 1992/93 financial year.

The Committee observed that the Board failed to provide the above analyses at the time of audit for verification.

The Committee therefore recommends that the Chief Executive should avail all the necessary information for audit verification as and when required.

2.4 Other Debtors

The Board has not been able to recover debts amounting to Kshs.1,001,481,689

described as "Other debtors" and the provision for bad and doubtful debts of Kshs.940,553,840 made in the accounts would suggest that the recoverability of the debts is doubtful. Included in this class of debtors are cash losses totalling Kshs.161,535,920 in respect of payment in advance for gunny bags that did not exist at the time of payment, fraudulent payments at Mombasa depot and cash theft by an employee of the Board as indicated.

	Kshs.
False transport payments	2,769,251
Payments in advance of gunny bags	92,748,748
Fraudulent Payments Mombasa depot	33,725,646
Cash theft by employee	32,929,275
TOTAL LOSS	**161,535,920**

The Committee heard the evidence given by the Chief Executive that the Board has been unable to recover Kshs.1,001,481,689 in respect of other trade debtors which constituted of the following:-

Debtors	**Amount as at 30.06.96 Kshs.**	**Amount as at 30.06.98 Kshs.**
Gunny Bags	**124,877,201.15**	**133,877,201.15**
Former wheat Board	**25,228,309.15**	**23,714,858.30**
Export Debtors	**83,306,368.37**	**59,891,150.92**
Swap Debtors	**405,240,619.80**	**473,668,295.40**
Other Trade Debtors	**362,842,901.45**	**339,217,701.00**
Un-reconciled difference	**(13,709.52)**	**(985,655.58)**
Total Outstanding	**1,001,481,690.40**	**1,029,383,351.18**

The Committee further heard that the Board had put in place strategies including joint reconciliation exercises with major debtors and referral of some debt cases to courts of law with a view to recovering the said debts.

The Committee was informed that:-

(i) The Board is owed Kshs.99,886,751.70 by East Africa Bag and Cordage Limited (now under receivership) and its sister Company Kensack Limited for no-supply of gunny bags and that two separate civil suits under High court HCCC No.2892 of 1989 and High Court HCCC No.2947 of 1989 have been instituted against the Company to recover the said amount.

(ii) The Board in order to safeguard its interest, filed with the court *proof of debt* to ensure that their claims were considered along with other creditors as and when the East Africa Bag and Cordage Limited is finally wound-up.

(iii) **The matter regarding the irregular payments amounting to Kshs.33,990,449.45 made to five debtors at Mombasa Depot is pending before Mombasa Law Courts under HCCC No. 176 of 1994.**

(iv) **The provision of Kshs.940,553,840.00 for bad and doubtful debts has been based on Board existing policy which requires that all potential unrecoverable debts be fully provided for and do not in any way imply that the Board has given up its efforts to pursue recovery of the said debts.**

The Committee also heard that:-

(i) **Mr. B. Kikwai, the then Chief Executive failed to ensure proper management of stocks with regard to gunny bags that were being stored thereby making it difficult to ascertain bags delivered by the East Africa Bag and Cordage Limited.**

(ii) **Some of the irregular payments amounting to Kshs.33,990,449.45 were made to debtors at Mombasa Depot during the tenure of Mr. W. Chelashaw who was the Board's Managing Director between 3rd June, 1987 and 9th August, 1988.**

The Committee reiterates its earlier recommendations under paragraph 2.3 of the 1994/95 accounts (Eight Report) that:-

(i) **The Chief Executive should use all means at his disposal including litigation to ensure that the amounts owed are recovered in full.**

(ii) **The then Chief Executives Mr. B. Kikwai and Mr. W. Chelashaw should be censured for having acted irregulary and be banned from holding any public office conferred by the Republic of Kenya.**

The Committee further recommends that:-

(i) The Kenya Anti-Corruption Authority should investigate the losses in respect of gunny bags and fraudulent payments made in Mombasa Depot with a view to prosecuting suspects and consequently recover the money lost.

(ii) The Corporation causes to be transferred the pending court cases namely HCCC Nos.2892 and 2947 of 1989; HCCC No.176 of 1994 from being heard by ordinary court to commercial courts for expeditious disposition.

3. OPERATING STOCKS

3.1 Operating stocks balance of Kshs.269,116,859 at 30th June, 1996 excludes stock commodities valued at Kshs.2,425,208 which stock losses by members of staff during the year under review amounts would appear uncertain particularly where the staff members

are no longer in service and their terminal benefits are less than the attributable losses. Further, recovery form the insurance company under the fidelity guarantee cover would be affected by lack of court proceedings which is a determinant factor for claim settlement.

The Committee heard the evidence given by the Chief Executive that the stock of commodities valued at Kshs.2,425,208 that did not exist at stock-take were attributed to some members of staff.

The Committee was informed that:-

(i) Some debit notes for a total value of Kshs.2,641,285.90 were raised against specific staff to recognise the losses attributed to each of them and this has resulted in removing them from stocks to staff debtors.

(ii) An amount of Kshs.591,704.05 has been recovered to date through salary deductions, terminal dues and direct recoveries, leaving a balance of Kshs.1,849,576.85 which is being pursued.

(iii) Stock losses directly attributable to infidelity of the employees were referred to the underwriters for compensation.

The Committee recommends that the Chief Executive should ensure that the balance of Kshs.1,849,576.85 is recovered in full from the concerned staff members by 30th March, 2001.

3.2 The closing stock balance also excludes various stock commodities valued at Kshs.2,589,052 which had been loaned to third parties without the necessary arrangements as to how they would be recovered.

The Committee heard the evidence given by the Chief Executive that the Board loaned out stock Commodities valued at Kshs.2,589,052 to third parties without making necessary arrangements and that this arose through the laxity of certain managers who have since been disciplined including dismissal from the Board.

The Committee further heard that:-

(i) A special Task force was formed to follow up respective loanees and that an amount of Kshs.199,652.00 has been recovered from the concerned staff.

(ii) The value of gunny bags that were short-supplied by premier Bag and Cordage Limited valued at Kshs.43,788.50 were debited and recovered from payments due to them.

(iii) Losses by Provincial Administration of three (3) tarpaulins valued

at Kshs.40,500 are being pursued.

The Committee noted that commodities and stocks valued at Kshs.746,310.00 have been debited to the respective employees who authorised their release and that legal action has been taken on a number of cases involving stocks valued at Kshs.667,801.56.

The Committee recommends that:-

(i) The Board should recover outstanding amount from all the loanees in respect of commodities and stocks loaned out to Third Parties by 30th June, 2001.

(ii) The Chief Executive should recover the three tarpaulins or the value of the tarpaulins amounting to Kshs.40,500 within six months failure to which he will be surcharged.

(iii) The Chief Executive should expedite the recovery of Kshs.667,801.50 in respect of loaned out stocks and complete the matter by 30th June, 2001.

3.3 In addition to the above anomalies in the operating stocks, the Board incurred storage losses totalling Kshs.23,595,332 during the year under review which were attributable to inappropriate storage conditions and poor grain handling.

The Committee heard the evidence given by the Chief Executive that the storage losses amounting to Kshs.23,593,332 were potential losses reflected during 1995/96 stock-take period but were not actual physical losses that had occurred.

The Committee was informed that during the disposal of the stocks in the depots in question, the actual short-weight claims lodged by customers and accepted by the Board as well as losses by employees amounted to only Kshs.2,016,917.90 in the year under review.

The Committee was further informed that in order to recognise these natural losses, a shrinkage allowance of upto 2.2% per annum is provided in the accounts and a shrinkage allowance of 0.5% per annum for bulk handling storage.

The Committee recommends that the Chief Executive should put in place proper and adequate storage facilities to minimise storage losses and that the Chief Executive will in future be held responsible for any losses that arise above the accepted percentage of 2.2% per annum.

3.4 Other physical stock variance losses due to variances between stocks and stock records amounting to Kshs.16,210,325 had been established as genuine and acceptable losses and stock adjustments made.

The above cases indicate inadequate stock management and call for intensified efforts by the management to control such losses.

The Committee heard the evidence given by the Chief Executive that after thorough scrutiny of stock adjustment forms it was found out that the value of stock variances amounting to Kshs.16,210,325 were the net excess stocks established during the Annual stock-take and were genuine and acceptable.

The Committee was informed that the corporation at all times uphold high standards of efficiency, employing the latest techniques in the business and that any losses realized in the process are inevitable and within practical limits.

The Committee noted that variances between physical stocks and stocks and records amounting to Kshs.16,210,325 had been established as genuine and acceptable loss and stock adjustments made thereby resolving the audit query.

4. SALE OF SUBSIDIARY COMPANIES

4.1 Kenya Cashewnuts

In my report on the Accounts for 1994/95, I indicated that the Board had not recovered an outstanding loan and a trade debt totalling Kshs.49,310,019 arising out of the sale of the above subsidiary. Although a fresh agreement had been entered into in 1996 to safeguard the interest of the Board, the purchaser had defaulted in the payment of the loan as well as the trade debt which totalling Kshs.55,303,856 as at 30th June, 1996. Contrary to the assurance given by the management on the recovery of this debt, a provision of Kshs.42,442,160 out of the total outstanding amount of Kshs.55,303,856 has been made in 1995/96. Although I have been informed that the Board is pursuing recovery of the amount, I have not seen the results of its efforts.

The Committee heard the evidence given by the Chief Executive that the Board has been unable to recover Kshs.42,442,160 owed by the purchaser of the Boards's stake in the above said subsidiary company.

The Committee was informed that:-

(i) The outstanding debt stood at Kshs.55,303,856.00 as at 30th June, 1996.

(ii) The Board filed a winding up cause No.46 of 1997 on 23rd December, 1997 petitioning the court to wind up the company for failure to pay the Boards debt.

(iii) The matter came up for hearing on 26th January 2000 at the High Court but was deferred by the Court due to the absence of the lawyer for M/s. Kilifi District Cooperative union.

The Committee was further informed of the following:-

(i) ICDC, IDB and NCPB shares in Kenya Cashewnuts were purchased by Kilifi District Cooperative Union in exercise of their pre-emptive rights under the joint ownership agreement through payment of 78 million shillings in different Bankers cheques. The vendors duly executed transfer of shares to Kilifi District Cooperative Union in accordance with the sale agreement.

(ii) The Directors of Kilifi District Cooperative Union *Messrs D. Runya Ngamba, General Manager, Japhet Kavuku, Chairman and S. Gunga Vice Chairman* failed to register the 65% shares transferred to the Cooperative Union by the vendors-NCPB, ICDC and IDB. Instead they entered into negotiations with certain individuals namely *J. Kulei, Y.C. Desai, N. Korir, B.K. Rotich, P.K. Shah and W.K. Sambu* for the sale/purchase of the said shares.

(iii) Following negotiations, the then Directors of Kilifi District Cooperative Union, without reference to members and in gross contravention of the Cooperative Act signed blank transfer forms purportedly transferring the 65% share holding of the Company to certain individuals/companies.

(iv) The shares were eventually allocated to the following companies.

- M/s Kenya Plantations and Products Limited, 51%; M/s Cashew Development Investments Limited 14%, leaving Kilifi District Cooperative Union with only its original 35%.

(v) Following the purported sale of the shares, the current Managing Director Mr. Shah has continued to manage the Company without reference or consultation with Kilifi District Cooperative Union despite the fact that the latter holds 35% shares of the Company. The Union is also not represented in the Board of Directors of the Company.

(vi) The current management of the Company decided to transfer several properties of the said Company to M/s Kenya Bixa Limited a Company wholly owned by some of the Directors without reference to the management of Kilifi District Cooperative Union.

The properties which have been transferred are:-

- Macadamia Cracker Unit
- Plastic Crates - 200 no.
- Electronic weighing scale 20Kg Capacity 1 no.
- Electronic weighing scale small (lab) 1 no.
- Small trolley 2 no.
- Shelling machines
- Calibrator
- Computers/Printers
- Fax Machine
- Refrigerator

- **Plastic Bags**
- **Weighing Scales**
- **Gunny Bags**
- **Furniture**
- **Air Conditioners**
- **Motor Vehicles**
- **Steam Boiler**
- **Dryer**
- **Dryer Radiators**
- **Steaming Unit**
- **Trolleys with trays**
- **Kernel Seiving Unit**
- **Working Tables**
- **Vacuum and Gas flush Tin Containing**
- **Vac pack**

(iv) The factory was closed down in 1998 and that out of the total 240 machine/equipments in the factory 20 have since been shifted to Kenya Biza Limited by its director.

The Committee observed that:-

(i) The then Directors of Kilifi District Cooperative Union *Messrs D. Runya, J. Kavuku* and *S. Gunga* colluded with the following individuals to deprive the Society and cashew nut farmers in Coast Province purchase of the 65% shares of the Company; *Messrs J. Kulei, V.C. Desai, N. Korir, B.K. Rotich, P.K. Shah and W. K. Sambu.*

(ii) The said parties deliberately abused the preemptive rights conferred to the Society under the joint ownership agreement through this fraudulent transaction.

(iii) E.S.T.U. in legitimising this transaction knowing very well that the Directors of the Society were merely fronting for some other parties contravened the letter and spirit of the privatisation as contained in the Government policy documents as regards transparency and accountability in disposal of public assets.

(iv) The appointment of a new Board of Directors following this irregular transactions and without inclusion or representation of the Union was meant to facilitate eventual sale of Kenya Cashewnuts Company by the new management.

(v) The ongoing process of removal and transfer of several assets of the Company to Kenya Bixa Limited supposedly to pay outstanding debts does not make any commercial sense given the fact that:-

- **Kenya Bixa is owned by the same directors**

- No similar efforts are made to pay outstanding loan in Barclays Bank which amounts to Kshs.80 million.
- Management of Kilifi District Coop Union which owns 35% shares has not been consulted.

The Committee was gravely concerned that more properties of Kenya Cashewnuts have systematically and illegally been transferred to M/s Kenya Bixa Limited forcing the once thriving factory to close down thus depriving the people of coast province their means of livelihood.

The Committee while taking great exception at the non-implementation of the PIC (Eighth Report) recommendations on the matter and at the slow pace taken by the government to revive the Kenya Cashewnuts, reiterates its earlier recommendations under paragraph 4 of the 1994/95 accounts that:-

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

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

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

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

(a) excluding the Union from representation in the Board of Directors.

(b) illegally removing, transferring and selling assets of the Company without reference to the shareholders in gross contravention of memorandum and Articles of Association of the Company and the Companies Act.

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

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

(v) *Mr. Lawi Kiplagat* and *Mr. Joshua Kulei* should be banned from holding any

public office conferred by the Republic of Kenya.

The Committee also recommends that the other directors namely *Messrs C. Desai, N.K. Korir, B.K. Rotich and W.K. Sambu* should be barred from holding public office conferred by the Republic of Kenya.

The Committee further recommends that the government should take urgent measures to revive the factory and returns its ownership to farmers by 30th September, 2001.

5. TRADE CREDITORS AND PROVISIONS

5.1 The trade creditors figure of Kshs.2,036,226,889 includes dormant creditors totalling Kshs.1,178,502,748 whose existence had not been established as at 30th June, 1996. A review of records in support of some of the credit balances indicated that most of these amounts may have resulted from misallocations and mispostings of creditors relating to the past years.

Although the management has indicated that a reconciliation is being undertaken to establish the existence of these creditors, I have not seen the results of the reconciliation done so far. In the circumstances, I am not able to confirm the correctness of the creditors amount of Kshs.2,036,226,889 shown in the Balance sheet as at 30th June, 1996. I am also not able to determine to what extent the misallocations and mispostings noted during the audit may have affected the correctness of the Board's working capital of Kshs.2,330,435,767 reflected in the Balance Sheet.

5.2 Further the Creditors figure of Kshs.2,036,226,889 includes the following balances whose detailed reconciliations had not been done at the time of audit.

	KSHS.
Stale Cheques	51,779,761
Special Recovery	1,116,940
Payroll Suspense	6,396,684
Creditors Control	66,401,576
Shrinkage	1,708,242
Total	**127,403,203**

Without the reconciliations, I am unable to confirm that these credits relate to goods and services rendered to the Board and that the creditors exist.

5.3 In addition the trial balance as at 30th June, 1996 shows the creditors control account balance of Kshs.993,860,361 while the accounts reflect a balance of Kshs.66,410,576 resulting in a difference of Kshs.927,458,785 whose nature was not explained during the audit.

5.4 The Balance Sheet creditors also include accounts with debit balances amounting to Kshs.16,576,611 arrived at as follows:-

	KSHS.
Other Suspense	10,379,353
Provision for gratuity	323,496
Sundry Creditor	3,769,006
NCPB/KGGCU Local Wheat	2,104,756
Total	**16,576,611**

As the Board has not explained the nature of these debits, I am unable to determine to what extent the amount had affected the accuracy of the creditors balance of Kshs.2,036,226,889 reflected in the Balance Sheet.

The Committee heard the evidence given by the Chief Executive and was informed that the dormant creditors totalling Kshs.1,178,502,748 whose existence had not been established as at 30th June, 1996 relates to imported maize creditors who had supplied maize to the Board through deferred Letters of Credit and that on due dates for settlement, credit balances accrued as a result of foreign Exchange Rates fluctuations.

The Committee was further informed that:-

(i) Reconciliations of accounts forming the figure Kshs.1,237,403,203 were carried out and adjustments made leaving a balance of Kshs.50,416,532.70 as at 30th June, 1998.

(ii) The creditors control account balance of Kshs.993,860,361 arose due to maintaining together of personnel Ledger accounts of Trade Debtors and creditors, and that when the two accounts were compared with the listing of Debtors and Creditors it resulted in un-reconciled balance of only Kshs.13,709.52 and not Kshs.927,458,785 as stated in the Report.

(iii) The Debit Balances (un-analysed creditors) of Kshs.16,576,611 were subsequently transferred from creditors schedule to Debtors accounts and the necessary adjustments made to correct the errors and mispostings thus reducing the balances of Kshs.8,850,688.05 as follows:-

A/C description	Balance as at 30th June, 1996 Kshs.	Balance as at 30th June, 1998 Kshs.
Other Suspense	10,379,353	6,507,002.30
Provision for gratuity	323,496	-
Sundry Creditor	3,769,006	238,929.75
NCPB/KGGCU Local Wheat	2,104,756	2,104,756.00
Total	16,776,611	8,850,688.05

The Committee noted that the Corporation has reduced creditors and provisions by Kshs.1,370,880,278 from Kshs.2,036,226,889 to Kshs.665,346,611 at 30th June, 1998.

The Committee recommends that the Chief Executive should carry out reconciliation and analysis on the remaining accounts by 30th March, 2001.

6. INSURANCE EXPENSE AND UNSETTLED INSURANCE CLAIMS

During the year under review, the Board spent Kshs.19,748,207 on insurance premium payments compared to Kshs.19,012,348 incurred in 1994/95. At the same time, the unsettled Insurance claims amounted to Kshs.220,140,573. Out of this amount Kshs.195,019,074 relate to fidelity guarantee claims which had not been determined due to lack of court proceedings and supporting evidence. Included in the figure of Kshs.195,019,074 is an amount of Kshs.9,736,167 representing claims formerly handled by the Kenya National Assurance Company (in liquidation) and fraud losses totalling Kshs.126,474,394 now rejected by the Insurers.

Although the cost of Insurance has gone up, the Board does not seem to have received corresponding services judging from the amount received of Kshs.5,343,236 and the accepted unsettled claims of Kshs.93,666,179 (compared to the unsettled and rejected claims of Kshs.220,140,573 as at 30 June 1996).

The Committee heard the evidence given by the Chief Executive that the Corporation paid insurance premiums totalling Kshs.19,748,207 in 1996 compared to Kshs.19,012,348 in 1994/95 financial year and that an increase of Kshs.735,859 in premiums was attributed to:-

(i) Upward adjustments of premium rate goods in transit policy.

(ii) Upward adjustments of the maximum limit of cover for various insured positions under fidelity guarantee policy.

(iii) Inclusion of a new vehicle purchased during the year under review.

The Committee was informed that:-

(i) In order to reduce the high cost of insurance premiums, the Corporation procured insurance Broking services which have resulted in substantive reduction in the premiums from Kshs.19,748,207 in 1995/96 financial year to Kshs.10,035,323 in the 1999/2000 financial year.

(ii) The unsettled insurance claims totalling Kshs.220,140,573 included an amount of Kshs.126,474,394 in respect of gunny bag losses that could not be accepted by insurance companies under fidelity guarantee allegedly because they did not qualify to be under this policy and where applicable the maximum limit of cover was too low to make any impact.

(iii) The Corporation is pursuing the outstanding claims with Kenya National Assurance Company (in liquidation) which stood at Kshs.32,209,360.55 as at 30th June 1996, and has filed with Official Receiver *Proof of Debt* upto the tune of Kshs.21,310,049.60 from the previous figure of Kshs.17,359,156.30.

The Committee was further informed that the Corporation has put in place mechanism for early settlement of claims which include regular undertaking of joint review sessions with loss adjusters, timely audit investigation of all new cases of cash and stock losses and negotiating for ex-gratia payments where possible.

The Committee recommends that the Chief Executive should expedite the process of recovery of Kshs.126,474,394 from the officers who occasioned the losses in respect of gunny bags.

The Committee further recommends that the Chief Executive should always ensure that there is adequate insurance cover to avoid recurrence of such losses in future.

KENYA PORTS AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA PORTS AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 1997

1. ADVANCES TO KENYA FERRY SERVICES - KSHS.247,689,861

The Kenya Ports Authority made additional advances totalling Kshs.228,136,473 to Kenya Ferry Services Limited during the year under review bringing the total to Kshs.247,689,861 as at 30th June, 1997. The advances included a total of Kshs.9,225,000 paid on behalf of Kenya Ferry Services to a private Ocean Cruises Company to acquire 30% shares in the Company and to clear its overdraft. The Ocean Cruises Company has been dormant and the Authority is unlikely to recover the amount or receive any return from the investment. Besides, the Kenya Ferry Services has been making operational losses and the Authority is unlikely to recover the advances from Kenya Ferry Services. There is also a contingent liability of Kshs.300 million under Note 9 to the accounts on Mtongwe Ferry Disaster which might raise the amount advanced should this be met.

The Committee heard the evidence given by the Chief Executive that the Authority continued to advance money to the Kenya Ferry Services on the instructions of Government and that an amount of Kshs.228,136,476 was advanced during the year under review.

The Committee was informed that:-

(i) Kenya Ports Authority (KPA) advanced Kshs.6,975,000 and Kshs.2,250,000 to Kenya Ferry Services Limited to acquire 30% shareholding in Ocean Cruise Limited and to clear the Company's outstanding overdraft respectively.

(ii) Kenya Ports Authority has suspended further financial assistance to Kenya Ferry Services.

(iii) Kenya Ferry Services Ltd continued to make losses because of its narrow revenue base.

(iv) The Memorandum of Understanding between the Government and Kenya Ferry Services Ltd has now been finalized and signed by the Ministry of Information, Transport and Communications and the Company. The Memorandum makes provision for government compensation to the Company for the free pedestrian traffic.

(v) Treasury has released an amount of Kshs.80 million to Kenya Ferry Services as subsidy and that provisions have been made in the Budget to

repay the amount owed Kenya Ports authority by the Kenya Ferry Services Ltd.

The Committee was concerned that Kenya Ports Authority, on the instructions of the Government, has continued to advance money to Kenya Ferry Services Ltd and yet the latter has been making losses in its operations.

The Committee was further concerned that the restructuring of the Kenya Ferry Services Ltd had taken too long and had imposed a heavy financial burden on Kenya Ports Authority.

The Committee reiterates its earlier recommendation under paragraph one (1) of the 1995/96 accounts (Eighth Report) that the parent Ministry should ensure that Kenya Ferry Services is funded directly from the Exchequer with effect from 1st July 1999.

The Committee further recommends that the Chief Executive should liaise with the parent Ministry and the Treasury with a view to ensuring that the money advanced to Kenya Ferry Services is paid to KPA without further delay.

2. INLAND CONTAINER DEPOT - ELDORET

In my report on the Authority's Accounts for the year ended 30th June 1996, I stated that the contract to build the above Depot was awarded to a Construction Company for a sum of Kshs.279,681,839 to be completed within a period of 108 weeks with effect from June 1991. I also stated that the Depot was completed in the last quarter of 1995 at a cost of Kshs.358,778,562. Although the project was handed over by the Contractor to Kenya Ports Authority in June 1996, the same was not operational during the year under review. As pointed out in the previous year's report the heavy capital investment of Kshs.358,778,562 remains idle with no returns to the authority due to poor and unco-ordinated planning.

The Committee heard the evidence given by the Chief Executive that a contract for a Depot which was awarded at a cost of Kshs.279,681,839.00 and completed one year behind schedule at an escalated cost of Kshs.358,778,562, is not operational although it was handed over to the Authority in June 1996.

The Committee was informed that:-

(i) The Authority had to recruit and/or transfer staff and purchase new equipment to make the depot operational.

(ii) The possibility of leasing the depot operations to private firms is under consideration with a view to ensuring that the Authority takes the most cost effective option.

The Committee observed that the project was poorly planned leading to huge sums of money remaining idle with no returns to the Authority.

The Committee reiterates its earlier recommendations under paragraph 2 of 1994/95 accounts (Seventh Report) and 1995/96 Accounts (Eighth Report) that the Chief Executive should ensure that the Authority recovers liquidated damages amounting to Kshs.4,465,000 and the accrued interest in full.

The Committee further recommends that the parent Ministry should ensure that the depot remains in the hands of the Authority and be made operational.

3. LAND WITHOUT TITLE

In paragraph 3 of the previous year's report I indicated that the Authority's Fixed Assets figure in the Balance Sheet included four Dogo Kundu and three Kipevu plots with a total cost of Kshs.14,802,000 for which the authority did not have title deeds. Title deeds for Dogo Kundu have since been obtained. However, ownership of the three Kipevu plots which were subject of court cases filed by the Authority against the Commissioner of Lands, was still in doubt. Although the Authority referred the subject to the parent Ministry, the Attorney General and the Commissioner of Lands in accordance with recommendations of Public Investments Committee contained in their 7th Report, the ownership of the properties is still in dispute. In the circumstances, I am unable to confirm that the value of the plots is fairly included in these accounts.

The Committee heard the evidence given by the Chief Executive that the Authority's Fixed Assets included seven (7) plots worth Kshs.14,802,000 for which the Authority did not have title deeds.

The Committee further heard that:-

(i) The Authority has obtained title deeds for four plots at Dogo Kundu.

(ii) The Management has written to the Attorney-General vide letter Ref.MCS/2/1/108 dated 15th December, 1997 asking him to advise the Export Processing Zones Authority, the Commissioner of Lands and the Authority on ways to resolve the outstanding issues on the Kipevu plots amicably.

The Committee recommends that the Chief Executive and the parent Ministry should follow up the matter with the Attorney-General and the Commissioner of Lands in order to ensure that the Authority is issued with title deeds for all parcels of land in its possession by 30th September, 2000.

4. MTONGWE HOUSING ESTATE PROJECT

In paragraph 4 of my report on Kenya Ports Authority's accounts for the year ended 30th June, 1996, I stated that the Fixed Assets Balance Sheet figure of Kshs.23,020,266,225 included Kshs.666,189,165 and Kshs.97,525,989 construction costs and consultancy fees respectively, relating to Mtongwe Housing Project which commenced on 2nd April, 1990. The project contracted at Kshs.551,862,233 was to be completed by 31 march 1993 but had not been completed by that date. As at the

time of signing this report, the project has not been completed and the expenditure had escalated to Kshs.926,422,758 as at 30th June, 1997. Further, although in its 7th Report, the Public Investments Committee recommended that the Authority recovers liquidated damages estimated by the Authority at Kshs.29,728,400, from the Contractor, no recoveries had been made at the date of this report.

The Committee heard the evidence given by the Chief Executive that the project which was supposed to be completed by 31st March, 1993 had not been completed by 30th June, 1997 and that the contract sum had risen from Kshs.551,862,233.00 to Kshs.926,897,900 by September, 1999.

The Committee was informed that:-

(i) The Authority negotiated with the contractors and reached a firm settlement of Kshs.185.0 million for completing all the outstanding works and for meeting contractual claims in anticipation of liquidated damages against the contractor.

(ii) The project was substantially completed with the contractor obtaining certificate of practical completion on 30th June, 1997.

The Committee was concerned that despite previous PIC recommendation with regard to liquidated damages, no action had been taken.

The Committee therefore reiterates its earlier recommendations under paragraphs 3.2 of 1994/95 (Seventh Report) and 4.0. of 1995/96 (Eighth Report) accounts respectively that the Chief Executive should ensure that liquidated damages for delay are recovered in full from the contractor with effect from September, 1994 until the date of completion and handing over of the project.

5. CONTAINER FREIGHT SECTION - MOMBASA

As stated in paragraph 5 of the report on accounts of the Kenya Ports Authority for the period ended 30th June 1996, the Authority, in August 1995 awarded six (6) different contracts totalling Kshs.2,686,864,250 for construction of container freight station in Mombasa and the Authority subsequently incurred expenditure totalling Kshs.408,689,858. The project was not in that year's initial budget and the contracts were entered into without prior detailed feasibility studies particularly with regard to effect on cash flows and expected future returns. There was inadequate documentation of the basis of selection of consultants and contractors suggesting lack of competitive tendering. Further, the above contract payments were made without matching payments to the value of work done.

The project was abandoned during the year under review and contracts determined in August 1997. In the circumstances I was unable to confirm the propriety of expenditure of Kshs.408,689,858 and contingent liability of Kshs.400,000,000 shown in note 9 to these accounts.

The Committee heard the evidence given by the Chief Executive that the project was not in the year's initial budget and the contracts were entered into without prior feasibility studies or due regard to its effects on cash flow and expected future returns.

The Committee was informed that:-

(i) The project was prioritised to stem mass diversion of ships to Dar-es-salaam port which has a Container Freight Station and which was causing loss of business to the Authority to the tune of USD 12.0 million.

(ii) The need for a Container Freight Station was identified in a World Bank sponsored study for the master plan of the Port of Mombasa upto to the year 2000.

(iii) The Authority obtained approval from the parent Ministry to start the project vide a letter written to the Managing Director by the then Permanent Secretary (Mr. Sospeter Arasa) and later the project contract was terminated by the then Head of Public Service (Prof. Philip Mbithi).

(iii) The project consultants have claimed fees amounting to Kshs.468,375,873.00 out of which Kshs.141,360,629.20 has been settled, with the balance of Kshs.327,015,243 still in dispute.

The Committee observed the following:-

(i) The work done on the project was not commensurate with the amount of money paid.

(ii) The decision to implement the project was taken impetuously through instructions issued by the then Permanent Secretary, Ministry of Transport and Communications, Mr. Sospeter Arasa, while the order to terminate the project was issued by the then Permanent Secretary to the Cabinet and Head of the Public Service, Prof. Philip Mbithi.

(iii) Following the termination order of the project the Authority incurred an unnecessary expenditure of about Kshs.28 million due to failure to demobilise the contractor for two years with the full knowledge of the parent Ministry.

(iv) The lead Consultant, Mr. B.S. Dogra failed to compute for the Authority the amount refundable on account of the preliminaries paid to the contractor upon termination of the contract.

(v) The then Permanent Secretary, Secretary to the Cabinet and Head of Public Service *(Mr. Prof P. Mbithi)* acted recklessly and most irregularly by ordering the termination of the contract by phone without due consideration to the legal and cost implications.

The Committee therefore recommends that:-

(i) **The then Permanent Secretary, Secretary to the Cabinet and Head of Public Service *(Prof. Philip Mbithi)*, the then Permanent Secretary, Ministry of Transport and Communications *(Mr. Sospeter Arasa)*, and the Corporation Engineer *(Mr. O.E. Njiru)* should be held responsible for the improper handling of the project.**

(ii) **The lead Consultant, *Mr. B.S. Dogra* and any company associated with him should be blacklisted and deregistered from receiving contracts awarded by State Corporations and Government in general.**

6. KIZINGO GUEST HOUSE

Included in the Fixed Assets figure of Kshs.20,589,323,835 is Kshs.14,700,000 relating to the Kizingo Guest House. Information available indicate that at its 174th meeting held on 17th October 1995, the Board approved the disposal of the Kizingo Guest House. This was subsequently valued by a firm of professional valuers on 22nd January 1996 at Kshs.29.5 million and sold, at that valuation to a private firm on 25th February 1997. Documents made available indicate that there was no competitive bidding in selling the property and that the sale was apparently initiated by the purchaser. Further, the valuation on which the sale was based was a year old. In the circumstances, I am unable to confirm that the Authority got the best value for its property. The assets of the authority were also overstated by the value of the Guest House, i.e. Kshs.14,700,000.

The Committee heard the evidence given by the Chief Executive that the guest house at Kizingo was sold at market value after valuation was done for the house at Kshs.29,500,000.

The Committee was informed that:-

(i) **In selling the house at 29,500,000, the Authority took into consideration the state of maintenance and repairs of the house and the use of the property which was residential.**

(ii) **The Authority's Assets in the Fixed Assets schedules were overstated by the value of the Guest House of Kshs.14,700,000 and that the asset has since been withdrawn in the accounts through Journal Entry No.389448 of June, 1997.**

The Committee was concerned that even though the Board in its resolution vide Min.141.04/95 had approved the disposal of the Kizingo Guest House at competitive market price, the management of the Authority sold it without competitive bidding thereby denying the Authority best value for its property.

The Committee recommends that the Authority should strictly stick to rules and

regulations governing the procurement and disposal of its property.

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

The Balance Sheet Debtors figure includes an amount of Kshs.287,231,401 paid to a dredging company in 1992 by the Authority on behalf of the parent Ministry on the understanding that the Treasury would offset the amount against Uganda Compensation and the on lent loans. Although the Public Investments Committee recommended in their 6th Report that the matter be solved when the Cross Debt study is concluded, the debt was still outstanding in the authority's books as at 30th June 1997. Further, debtors included advances to Ministry's Officials made during the year totalling Kshs.5.91 million which have not been refunded to the Authority.

The Committee heard the evidence given by the Chief Executive that the sum of Kshs.287,231,401 paid to a dredging firm by the Authority on the Government of Kenya was still outstanding. The Committee was informed that the Authority is still awaiting the implementation of the Cross Debt Report by the Treasury and the parent Ministry to facilitate the clearance of the balance. The Committee was also informed that reimbursement of an amount of Kshs.5.1 million paid to Government officials on maritime related assignments during the year under review is being sought from the parent Ministry.

The Committee recommends that the Chief Executive should liaise with the parent Ministry and the Treasury with a view to ensuring that the debt of Kshs.287,231,401 is settled without further delay.

The Committee also recommends that the parent Ministry should reimburse the Authority an amount of Kshs.5.1 million that was spent by the officials of the Ministry on maritime related assignments by 30th September, 2000.

8. STORES STOCK - KSHS.1,397,880,323

8.1. The above figure is stated at the lower of cost or net realisable value after providing for:

Stocks shortages	Kshs.	138,938,514
Dormant stock		138,321,000
General provision 5.4%		77,011,252
Total Provision		354,270,766

I am unable to express an opinion on the adequacy of provision of 5.4% obsolescence due to absence of stock ageing analysis.

8.2. It is further observed that the stores stock figure of Kshs.1,397,880,323 represents 41% of the total current assets of Kshs.3,418,208,448 as at 30th June 1997. The Authority maintained high levels of stock some of which are dormant or are

slow moving. These stocks appear to have tied up the much needed funds which could have been utilised elsewhere.

8.3. Besides, the Authority purchased from a private firm five (5) stock items totalling Kshs.5,427,838 on 21st March 1997. Three items out of 5 namely: Liner AR 8069, Piston AR 11908 and Cylinder Head AR 11171 were overpriced by approximately Kshs.2,869,344 arrived at as follows:

ITEM	QTY	LPO PRICE	MARKET PRICE	DIFFERENCE	TOTAL OVERPRICE
		Kshs.	Kshs.	Kshs.	Kshs.
Liner AR 8069	32	32,984	14,954	18,030	576,960
Piston AR11908	24	79,621	18,076	61,545	1,477,080
Cylinder Head AR 11171	2	1,211,155	803,363	407,652	815,304
				Total	2,869,344

No satisfactory explanation was offered by the Authority for this, but clearly the Authority did not get full value for money in this instance.

The Committee heard the evidence given by the Chief Executive and was informed that the Authority has since submitted analysis for stock shortages and dormant stock to the Auditor-General (Corporations) to enable him express an opinion on the adequacy of provision of 5.4% obsolescence. The Committee was further informed that the Authority maintained high stock levels due to the following reasons:-

(i) That in order to provide efficient services the management require to keep certain special parts in stock which are not off the shelf and have lead time of approximately one year.

(ii) Most of the Authority's equipment are no longer in manufacture hence there is need to maintain some stock holding as the parts are not easily obtainable.

(iii) That a major refurbishment on some of the equipments at the port rendered the original spare parts dormant while the unutilized back-up spares became obsolete.

(iv) That some of the spare parts had been supplied as by back-up spares but upon rehabilitation of the equipments the unutilized stocks became obsolete.

The Committee heard that the Authority is carrying out stock-taking to determine the usefulness of the spares and that those found to be unnecessary will be disposed off.

The Committee was concerned that the Authority purchased spares worth millions of shillings for no apparent reason and without any planning thus tying Authority's money in obsolete and unnecessary goods.

The Committee recommends that the Authority should determine the usefulness of the stores stock worth Kshs.1,397,880,323 and those found unnecessary and obsolete should be disposed of in a competitive bidding.

9. UNCOLLECTED WHARFAGE CHARGES KSHS.14,093,180

It was pointed out in paragraph 11 of the report for the year ended 30th June 1996 that revenue amounting to Kshs.2,158,358 was received on 15th September 1993 from a Clearing and forwarding firm in respect of wharfage charges for two consignments owed by Kenya Post and Telecommunications Corporation with declared value of Kshs.3,749,757 and Kshs.104,249,584. An investigation carried out in June 1996 by the Authority's Internal Audit and Security showed that the declared value of the consignments was incorrect, resulting in under-collection of wharfage charges of Kshs.14,093,180. Although the Authority instructed a firm of advocates to recover the uncollected wharfage charges, no recovery was made because the firm cannot be traced in the Registrar of Companies and the directors are unknown. The matter was not reported to the Police until 16th December, 1997 after the audit report and one and half years after the investigations. The position as at 30th June 1997 remained the same.

The Committee heard the evidence given the Chief Executive that the Authority has been unable to recover Kshs.14,093,180 due from a clearing and forwarding firm M/s Highlands Company Ltd which under-declared value on the former Kenya Posts and Telecommunications Corporation's equipment resulting to an under-collection of wharfage charges.

The Committee was informed that:-

(i) Recovery efforts have been frustrated by non-existence of the Company in the records of the Registrar of Companies.

(ii) The said clearing and forwarding firm closed down in 1996 and another Company was formed in the name of M/s Sunil Dauda & Co Ltd whose proprietor is the former director of M/s Highlands Company Ltd.

The Committee noted that the former Kenya Posts and Telecommunications Corporation who contracted M/s Highlanders Company Ltd to clear the very expensive consignments had not assisted the Authority in apprehending the directors of the Company.

The Committee therefore reiterates its earlier recommendation under paragraph 11 of the 1995/96 accounts, Eighth Report, that the Attorney-General should investigate all those involved in the clearing of the consignments with a view to instituting criminal charges against anyone who may have acted irregularly.

10. LONG TERM INVESTMENTS - KSHS.615,530,633

The Balance Sheet Long Term Investment figure of Kshs.615,530,633 includes Kshs.99,023,000 in respect of investments in the following institution:-

Kenya National Shipping Line Limited	Kshs.	70,023,000
Consolidated Bank of Kenya Limited		29,000,000
Total		99,023,00

The Authority however, has not received any dividends from the above investments. In the circumstances I am unable to confirm the value of the investments quoted in these accounts.

The Committee heard the evidence given by the Chief Executive that Balance Sheet long term investment figure of Kshs.615,530,633 includes Kshs.99,023,000 in respect of investments in Kenya National Shipping Line Limited and Consolidated Bank of Kenya Limited and for which no dividends have been paid to date.

The Committee was further informed that:-

(i) The Companies have been unable to pay dividends due to inherited losses which are being recovered from profits they have been making.

(ii) The Authority finds it prudent not to dispose off the shares in the said Companies as they would attract prices lower than the par values.

(iii) The Authority intends to dispose off the shares once the accumulated losses are fully recovered.

The Committee recommends that the Authority should dispose off its shares, once their prices improve.

The Committee further recommends that the Corporation as a shareholder should take interest in the management of the Consolidated Bank of Kenya and in the requisitioning of the Annual General Meeting.

PURCHASE OF TWO COMMUTER BUSES (1995/96 Accounts)

Included in the assets are two buses registration No.KAD 456M and 465M purchased at a total of cost of Kshs.7,169,856 during the year ended 30th June, 1995 but capitalised in the year under review. The Authority Engineer's report indicates that the buses were defective and may not have been new when delivered to the Authority by a vehicle dealer in January 1995. Although the authority withheld the payment for sometime and the defects were apparently rectified by the supplier by 7th March, 1996, I am unable to confirm that the Authority got the full value for the money paid. Clearly

the Authority did not receive the new buses it had ordered and specified in tender documents.

The Committee heard the evidence given by the Chief Executive that the Authority tendered and paid for the supply of two (2) new buses but received old and defective vehicles.

The Committee was informed that the inspection report by the Authority's Engineer did not categorically state that the buses were new.

The Committee noted that:-

(i) The Authority bought used vehicles at the price of new ones.

(ii) The Chief Mechanical Engineer's report indicated that the buses were defective.

(iii) The suppliers of the said buses agreed to rectify the defects beyond the warranty period.

(iv) The buses were paid for after Mr. Mkalla ceased to be the Managing Director of Kenya Ports Authority.

(v) Mr. Mkalla wrote several letters to the supplier indicating that the vehicles were not new.

(vi) Mr. Mkalla wrote to the Automobile Association of Kenya to assess whether the buses were new or not.

(vii) The payments for the buses were made by *Mr. Lenny Mwangola* who had been appointed the Managing Director after the departure of *Mr. Simeon Mkalla*.

The Committee recommends that the Director of Kenya Anti-Corruption Authority should investigate the manner in which the said buses were procured with a view to prosecuting culprits.

Grain Bulk Handlers Ltd Project (GBHL)

The Committee heard the evidence given by the Chief Executive that:-

(i) The Authority leased out land plot No.370, Mombasa Island/Block 1, measuring 1.44 acres to M/s Jaffer & Jaffer Company on 21st April, 1995 for a duration of 82 years with effect from 1994.

(ii) A Wayleave Agreement was subsequently signed between the Authority

and the Company granting the latter the right to emplace two high Speed Buhler Mechanical Ship unloaders at berth nos. 3 and 4 to discharge or load bulk cargoes utilising a twin line, purpose built elevated conveyor system incorporating a weighing station.

(iii) The conveyors are used for grain products and non-food commodities which are stored at the bulk storage facility adjacent to the port.

(iv) The National Cereals and Produce Board wanted to develop a similar facility but disagreed with the Authority as it insisted on putting up the silos within the port perimeter.

The Committee further heard that:-

(i) Successive managements of KPA supported the project and signed agreements with the developers.

(ii) Arising from past signed agreements with KPA, Grain Bulk Handlers Limited applied to the Authority for consent to charge both the lease and the Wayleave in favour of the project.

(iii) A charge of Wayleave was signed on 4th November, 1998 and that as a result GBHL procured agreements for loans totalling US$ 23,500,000 from three international financiers namely International Finance Corporation, Commonwealth Development Corporation and PROPARCO.

The Committee observed that Kenya Ports Authority has no uniform tariff policy for all wayleaves.

The Committee recommends that:-

(i) The parent Ministry should ensure that Kenya Ports Authority put in place a clear tariff policy that safeguards the Authority's interest.

(ii) The parent Ministry should ensure that there is a legally binding agreement between Kenya Ports Authority and M/s Grain Bulk Handlers Ltd to safeguard the interest of other facility users. The agreement should clearly spell out in a clause that M/s Grain Bulk Handlers Ltd cannot unilaterally increase the handling charges.

PRIVATISATION PROCESS OF KENYA PORTS AUTHORITY

The Committee heard the evidence given by the Chief Executive that the Corporation was identified for structuring following the Government's decision in 1992 to implement a comprehensive economic reform and liberalisation programme in the parastatal sector.

The Committee was informed that:-

(i) The Department of Government Investment and Public Enterprise (DGIPE) commissioned a Kenya Ports Authority Restructuring study which was undertaken by a consortium of five firms led by Hickling Corporation of Ottawa, Canada, leading to the preparation and submission of "Hickling Report" in November, 1995.

(ii) The Hickling Report, which is a blue print to the privatisation of Kenya Ports Authority, addressed the restructuring aspect only.

(iii) The restructuring of the Authority did not entail disposal of fixed assets which must remain in the hands of the State, given that it is one of the strategic State Corporations.

(iv) The restructuring of the Authority should be proceeded by the streamlining of the relevant statutes.

(v) The modalities of effecting the concessioning have not been determined by the Government.

The Committee noted that the Government has in the recent past sent conflicting signals with regard to privatization at the Port and that the Government stand has been wanting.

The Committee therefore recommends that:-

(i) The privatisation of Kenya Ports Authority should not be done before and until, the relevant statues are considered by Parliament.

(ii) The views/resolutions of the Watamu Workshop of 22nd and 23rd March, 1998, which reviewed the Hickling Report, should be taken into consideration when finalising the process of privatising the Authority.

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL SOCIAL SECURITY FUND FOR THE YEAR ENDED 30TH JUNE, 1996

1. UNVOUCHED ADJUSTMENT

In the reports for the years 1993/94 and 1994/95, reference was made to my inability to perform audit procedures sufficient to satisfy myself as to the accuracy of prior year adjustments due to lack of reliable accounting information. In the year under review a net amount of Kshs.132,079,000 comprising general ledger, cash book and bank reconciliation differences, accounting mispostings and other adjustments is included in administration expenses figure os Kshs.683,832,000. Again due to lack of reliable accounting information it was not possible to perform audit procedures sufficient to satisfy myself as to the accuracy or otherwise of the amount. It has not been ascertained what the amount written off to the Income and Expenditure in these accounts represents.

The Committee heard the evidence given by the Chief Executive that the prior year adjustments totalling Kshs.132,079,000 were made but there was lack of reliable accounting information to vouch the adjustments.

The Committee was informed that the Fund has since embarked on timely and regular reconciliations which will ensure that all accounting entries are identified and posted to correct accounts.

The Committee was concerned that reliable accounting information was not availed to the Auditor-General (Corporations) for verification during the time of audit.

The Committee therefore reiterates its earlier recommendations under Paragraph 2 of the 1993/94 accounts (Eighth Report) that:-

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

(ii) The Chief Executive and the Board should take urgent steps to improve the finance department.

The Committee further recommends that the Chief Executive should provide all relevant documents in respect of the unvouched adjustments totalling Kshs.132,079,000 by 30th June, 2000 to the Auditor-General (Corporations) for verification.

2. EXPENDITURE FOR THE YEAR

Electricity, Water and Conservancy expenses for the year include an amount of Kshs.39,429,000 arising due to under recovery of service charge in several of the Fund's rented properties. Although the Fund's management has explained that service charge rates have since been adjusted where appropriate, it is doubtful whether the amount of Kshs.39,429,000 will be realized or even enforceable in law in the absence of lease agreements. The unrecovered amount has the effect of reducing the return from investment properties.

The Committee heard the evidence given by the Chief Executive that the electricity, water and conservancy for the year include expenses Kshs.39,429,000 arising due to under recovery of service charge from fund's rented properties and which may be recoverable from tenants after independent audits of service charge accounts of such properties have been conducted.

The Committee was informed that the Fund is using all means possible to recover the said amount including demand for the proportionate under recovery.

The Committee was concerned that the Corporation has not made any effort to realize the amount of Kshs.39,429,000 outstanding from recovery of service charge and that this has had a negative return from investment properties.

The Committee was further concerned that the recovery of service charge in several of the fund's rented properties may not be realised due to absence of lease agreements.

The Committee recommends that the Chief Executive must use all means possible to realize the amount of Kshs.39,429,000 outstanding from recovery of service charge.

The Committee further recommends that the Fund should enter into lease agreements with its tenants to enable it recover service charge by 31st July, 2000.

3. PROVISION FOR DOUBTFUL LEGAL DEBTORS

In paragraph 3 of my previous year's report I expressed doubts as to the recovery of litigation fees amounting to Kshs.294,351,000 relating to the South 'B' Hazina project. Although the Fund had in the past maintained that there were over-whelming chances of realizing the amount, the same has not been recovered and a provision for doubtful debts has been made in full in these accounts hereby recognizing a potential loss.

The Committee heard the evidence given by the Chief Executive that a provision for doubtful debts has been made in full for the litigation fees amounting to Kshs.294,351,000 relating to the South 'B' Hazina project.

The Committee was informed that:-

(i) **Whereas case HCCC No.914 of 1994 is still pending in Court, S.K. Jirongo has filed another suit against the Fund vide case HCCC No.804 of 1999, and that the Fund has filed a counter-claim of Kshs.3,112,812,999.65.**

(ii) **Kilonzo and Company Advocates and other lawyers who were paid exorbitant litigation fees would no longer be engaged by the Fund in its litigation services.**

After hearing the lawyers namely Messrs. Kilonzo and Company Advocates, S. Mauncho & Company Advocates and Onalo and Company Advocates, the Committee made the following observations:-

(i) **That an amount of Kshs.294,351,000 was paid to the following lawyers for the purposes indicated:-**

	Date	Details	Amount
1.	20.12.94	To Kilonzo & Co. Advocates on hearing in Court of Appeal Case No.181 of 1994	39,412,673.30
2.	7.9.94	To Kilonzo & Co. Advocates African Planning & Design Consultants (Sub-Contractor) of Sololo Outlets Vs NSSF	1,034,595.10
3.	3.11.93	To Kilonzo & Co. Advocates Sololo Outlets Vs NSSF HCCC No. J074/93 No.3	9,432,242.00
4.	14.7.93	To Kilonzo & Co. Advocates Evaluation of Completion of Project	28,910,000.00
5.	15.12.93	To Kilonzo & Co. Advocates Advise on Restructuring of Project & New Contract with Mugoya	5,015,000.00
6.	15.12.93	To S. Mauncho Advocates on Account of Advising on Restructuring of Project & New Contract.	3,717,000.00

7.	15.12.93	To M.M. Ombogo & Co. on Account of Advising on Restructuring of Project and New Contract.	3,717,000.00
8.	17.3.94	To Kilonzo & Co. Advocates Hearing an Injunction filed by Sololo Outlets Vs NSSF, High Court Case No. 914.	88,272,123.00
9.	7.7.93	To Kilonzo & Co. Advocates Legal opinion on termination of contract.	14,115,000.00
10.	5.7.93	To M.M. Ombogo & Co. Advocates - Termination of Contract.	13,800,000.00
11.	5.7.93	To S. Maucho Advocates Legal opinion on termination of Contract.	13,800,000.00
12.	8.6.93	To Kilonzo & Co. Advocates & S. Mauncho Advocates on Account advise rendered to Fund Board Meeting held on 26.5.92.	30,585,365.90
13.	27.9.93	Onalo & Co. Advocates Taxation against the Fund	30,680,000.00
14.	27.9.93	Kilonzo & Co. Advocates for defending case of taxation in Onalo & Co. Vs NSSF HCCC 356 of 1993	9,291,674.00

(ii) That the payments made to the law firms were grossly excessive and were made in total disregard of the provisions of the Advocate Remuneration Act.

(iii) That the said law firms were engaged by the Fund prior to any litigation being filed against the Fund by M/s Sololo Outlets Ltd.

(iv) That the then Chief Executive Mr. S. Muindi acted imprudently and irregularly by:-

(a) Making exorbitant payments to the same firms far in excess of the provisions of the Advocate Remuneration Act.

(b) Making advance payments to the same firms for services not yet rendered.

(v) That the said firms of lawyers wilfully and knowingly colluded with the then Chief Executive Mr. S. Muindi to defraud the Fund of colossal sums of money through the so called legal services.

(vi) That the Chairman, Mr. J. Kisoso and the Board of Trustees, failed to discharge their responsibilities of supervision, protection, control and management of the Fund's operations in general and finance in particular resulting in the loss of colossal sums of money.

The Committee therefore reiterates its earlier recommendations under paragraph 3 of 1993/94 accounts in the Eighth Report that:-

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

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

(iii) The Attorney-General should investigate the activities of the then firms of lawyers in this matter namely:- M/s Kilonzo and Co. Advocates; M/s S. Mauncho Advocates and M/s Onalo and Co. Advocates and M/s Ombogo and Co. Advocates.

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

(iv) Since the Lawyers were advanced payments for services not rendered, they should refund all the amounts paid. All the above recommendations should be effected by 31st December, 2000.

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

The Committee further recommends that:-

(i) The Chief Executive should ensure that previous payments made to the said lawyers are referred to the Registrar of High Court for taxation.

(ii) The Commissioner of VAT and the Director of Kenya Anti-Corruption Authority (KACA) should investigate whether the VAT relating to the said legal fees were remitted as per the law.

(iii) The Director of Kenya Anti-Corruption Authority (KACA) should investigate the manner in which the said payments were made to the Law firms with a view to prosecuting the culprits.

4. MANAGEMENT OF CASH

On 28th February, 1996, the Fund rediscounted a Treasury Bond No.3/1991 of Kshs.2 billion 16 days earlier than the due date of 15th March 1996. Consequently NSSF lost Kshs.15 million which it would have earned had the Fund waited for maturity date before discounting the Bond. Although the management has explained that early rediscounting was necessary to pay tax arrears to Kenya Revenue Authority, it is not clear why the Fund did not negotiate the payment date with the Revenue authority in order to avoid loss of interest. The management of the Fund failed to control its expenditure through proper cash planning and management that would have ensured availability of funds when needed.

The Committee heard the evidence given by the Chief Executive that the fund rediscounted a Treasury Bond No.3/1991 of Kshs.2 Billion. sixteen days earlier than the due date in order to pay Corporation Tax thereby making the Fund to lose Kshs.15 million.

The Committee further heard that rediscounting was undertaken to avoid stiffer penalties that would have been levied incase of failure to settle the tax due.

The Committee noted that the Fund failed to negotiate the payment date with the Kenya Revenue Authority thereby occasioning a loss of Kshs.15 million. The Committee further noted that the Fund also failed to put in place proper cash planning and management that would have ensured availability of funds when needed.

The Committee recommends that the Fund must put in place proper financial mechanism to ensure that Corporation tax is paid as and when due to avoid incurring unnecessary losses and penalties.

The Committee further recommends that the Minister for Finance in presenting the next Finance Bill should harmonize the tax conditions applicable to NSSF with other pension funds.

5. FIXED ASSETS REGISTER

The assets registers maintained by the Fund did not reconcile with the general ledger and lacked adequate information that would identify location, serial number or value for individual assets. Besides, NSSF depreciates fixed assets on category basis. Individual calculations are not prepared for each asset and there is possibility that individual assets

have been depreciated beyond cost.

The Committee heard the evidence given by the Chief Executive that all the Fund assets have now been serially numbered with comprehensive information on location, serial numbers, value and rate of depreciation.

The Committee was informed that:-

(i) The serialisation of the assets has enabled the Fund to depreciate the assets on an individual basis as opposed to category basis.

(ii) The fund is now in a position to exercise better control of its assets, maintains a detailed record of assets in the Headquarters and in the branches nationwide.

The Committee recommends that the Chief Executive should ensure that the Fund is maintaining an upto date asset registers that reconcile with the general ledger and that assets are depreciated on individual basis rather than on category basis.

6.0 INVESTMENTS

6.1 The NSSF pays the valuation amount for properties purchased. Normal practice, however, would be for the purchaser to use the valuation reports as a base for negotiation rather than as a fixed price. Consequently the Fund may not be maximizing value for money in its property purchasing procedures. Valuation of NSSF's properties as at 30th June 1996 carried out by a professional firm of valuers appointed by the Fund in 1996 shows that the values of some eight properties acquired during the year were significantly low compared with those given by other valuers at the time of purchase.

Property	**Valuation Prior to purchase**	**Valuation undertaken in 1996**	**Variance**
	Kshs.000s	Kshs.000s	Kshs.000s
Bishops Rd.209	225,000	85,000	140,000
Embakasi 21189/21190	752,000	637,000	115,000
New Muthaiga 209/12274	292,500	275,000	17,500
Upper Hill 209/11463	22,000	20,000	2,000
Mavoko Municipal (15)	91,410	22,850	68,560
Mavoko Municipal (10)	60,000	15,000	45,000
Tassia Estate No.3	975,750	831,433	144,317
State House Rd.	465,000	221,000	244,000
	2,883,660	**2,107,283**	**776,377**

Under normal circumstances valuations carried out by different professional valuers on the same properties should not differ significantly. However in the above eight properties a variance of Kshs.776,377,000 or 27% is considered high. Consequently I am unable to confirm that the Fund purchased the properties at the best market values available.

6.2 Among the properties purchased during the year under review is land reference No.209/6439 on Ojijo road consisting of seven residential houses built in 1930. The property was acquired at a cost of Kshs.174,000,000 million from a private firm in Nairobi, which had purchased the same property from Kenya Railways Corporation at Kshs.77,130,000 during the year. Clearly the vendor who appears to have purchased the property from the Corporation for speculative purposes made a profit of Kshs.96,870,000. It was not clear how the vendor was identified and why the fund did not bid for the purchase of the property when it was advertised for sale by the Corporation.

The Committee heard the evidence given by the Chief Executive that the Fund bought eight properties valued at Kshs.2,883,660,000 in the year under review and that a valuation undertaken in 1996 showed a variance of Kshs.776,377,000.

The Committee was informed that:-

(i) The Fund bought plot LR.209/297 at Kshs.225 million from Newman Investments Ltd who had purchased it from Catering Levy Trustees at Kshs.70 Million and which had been valued at Kshs.85 million in June, 1996.

(ii) The Fund purchased a Land Reference No.209/6439 on Ojijo Road consisting of seven residential houses at a cost of Kshs.174,000,000 from a vendor who had purchased it from Kenya Railways at Kshs.77,130,000 in the same period.

The Committee noted that in another instance, 15 plots valued at Kshs.22,850,000 in 1996 were bought by NSSF at Kshs.91,410,000 a year later from the following:-

NAME		PLOT NO.
1. Japhet Ekidor	-	LR 20200
2. Boaz Kaino	-	LR 20199
3. Gideon Mutiso	-	LR 20181
4. Johnson Makau	-	LR 10183
5. Muska Holding Ltd	-	LR 20207
6. Margaret Mutinda	-	LR 20185
7. Anthony Ndilinge	-	LR 20184
8. Milka Kithinga and Grace Nthamba	-	LR 20432
9. Isaac Muoki	-	LR 20219

10. Nyiva Mwendwa	**-**	**LR 20205**
11. Mutinda Ndambuki	**-**	**LR 20206**
12. Mutua Kavisi	**-**	**LR 20204**
13. Richard Kiiuta	**-**	**LR 20201**
14. Machakos Ranching Co. Ltd	**-**	**LR 337/1921**

The Committee observed that:-

(i) The Fund bought 8 plots at Kshs.2,883,660, 000 in total disregard to the earlier valuations which put the price of the plots at Kshs.2,107,283,000 thereby occasioning a loss of Kshs.776,377,000.

(ii) The then Managing Trustee Mr. S. Muindi acted imprudently and irregularly by making exorbitant payments to the Vendors of the said plots without due regard to valuations undertaken some months earlier by a professional firm of valuers appointed by the Fund.

(iii) The Chairman, Mr. J. Kisoso and the Board of Trustees, failed to discharge their responsibilities of supervision, protection, control and management of the Fund's operations in general and finance in particular thereby occasioning loss of huge sums of money.

(iv) The current Managing Trustee, Mr. David Masika, is a director and a major shareholder in the firm M/s Lloyd Masika Ltd, the Company which was responsible for carrying out valuations of some the Fund's property.

(iv) The then Managing Trustee, Mr. S. Muindi, the Vendors of the said plots and some firms of valuers colluded with the intention of defrauding the Fund of huge sums of money.

The Committee therefore recommends that:-

(i) The Attorney-General should investigate with a view to prosecuting the then Managing Trustee, Mr. S. Muindi, in respect of the purchase of the said plots which led to the loss of Kshs.776,377,000.

(ii) The then Managing Trustee, Mr. S. Muindi and the Chairman, Mr. M.J. Kisoso should be banned from holding any public office conferred in the Republic of Kenya.

7.0 TERM DEPOSITS

7.1 NSSF has placed short term deposits totalling Kshs.6,000,028,421 or approximately 71,% of the Funds deposits with six financial institutions. Apparently the fund is exposed in that its deposits are placed with narrow range of financial institutions and the same often form a high percentage of institution's total deposits ranging from 1% to 16% in 5 financial institutions and 91% in one particular institution.

7.2 These accounts show total amounts due from one local bank of Kshs.2,539,000,000 analysed as Kshs.2,492,000,000 recorded as fixed deposits and Kshs.47,000,000 recorded as accrued income on short term deposits. According to a confirmation letter received from the Bank, on 19th September, 1996, that institution has recorded total amounts due to NSSF of Kshs.1,680,000,000.

Accordingly, there is a difference of Kshs.859,000,000 between NSSF's and the bank's financial records which the Fund has explained relates to accrued interest payable between 1993 and 1995. It is not clear why the bank has refused to pay interest while the Fund continues to maintain in it very high level of deposits of 13.5% of all the banks deposit portfolio referred to in paragraph 7.1 above.

The Committee heard the evidence given by the Chief Executive that the Fund's deposits amounting to Kshs.6,000,028,421 held in five (5) financial institutions namely:- Prudential Building Society; Savings and Loan Ltd; Housing Finance Company of Kenya Ltd; Kenya Commercial Finance Co. and Kenya commercial Bank Ltd, formed substantial percentages of those institutions term deposits which are therefor considered over exposed.

The Committee was informed that several such deposits have recently matured and redeemed in some institutions resulting in reduction of outstanding deposits.

The Committee was also informed that:-

(i) Total amount due from National Bank of Kenya is Kshs.2,539 Billion whereas the Bank on its part confirmed Kshs.1,680 billion thus giving a difference of Kshs.859 million.

(ii) The difference of Kshs.859 million relates to accrued interest capitalised by NSSF which the Bank failed to pay between 1993 and 1995.

(iii) The Fund has constantly pursued the National Bank of Kenya for recovery of the outstanding deposits without jeopardising the Bank's business and that tremendous progress has been made.

The Committee noted that the difference of Kshs.859 million have now been reconciled and the agreed balances are reflected on the 1997/98 accounts.

The Committee further noted that despite the considerations of the issue by previous Public Investments Committees and appropriate recommendations made accordingly, the matter has remained unresolved thereby putting the Fund's deposits at risk.

The Committee recommends that:-

(i) The Treasury and the parent Ministry should intervene on behalf of NSSF in order to ensure the full recovery of funds held in Prudential Building Society (now in liquidation).

(ii) The Fund and the Ministry of Finance should review the Fund's investment policy with a view to securing its deposits.

8. RENTAL INCOME

As with the previous year the rate of return on the Fund's rental properties is considered low and insufficient to provide for the current rate of interest of 15% on members contributions. The rental returns were particularly low on the following properties.

Property	Cost Kshs.000s	Rental Income Kshs.000s	Return on Cost %
Old and New Social Security House Nairobi	4,392,208	227,414	5.2.
Bruce House Nairobi	133,529	30,291	13.0
Hazina Towers	590,506	24,178	4.0
View Park Towers	871,316	69,499	8.0
Hazina Plaza Mombasa	458,978	48,000	10.5
Milimani Flats	100,231	8,400	8.4
Moktar Daddah Street Nairobi	319,248	5,025	1.5
State House Rd.	471,431	2,392	1.0
	7,337,447	**415,199**	**5.7**

In additional the Fund continued to have high rental arrears which totalled Kshs.160,660,000 (1994/95 - Kshs.112,635,000) or 30.3.% of the fund's expected total annual rental income of Kshs.520,716,000. The rental arrears represents almost five (5) months rentals for the whole portfolio which translates to a loss of up to Kshs.17 million in interest foregone at prevailing market rates. The Fund has however explained that a total of Kshs.94,092,000 or 59% had been realized by 30th August,1996.

The Committee heard the evidence given by the Chief Executive that the rate of return on the Fund's rental properties is considered low and insufficient to provide for the current rate of interest of 15% on members contributions.

The Committee was informed that what appear to be low rate of return on the underlisted properties vary from property to property as explained herebelow:-

(a) Old and New Social Security House - Nairobi

Rental income for the year under review was Kshs.227,414 million thus giving a return of 5.2% for the year. The rate is expected to gradually increase as the remaining space get fully let and as rent is reviewed.

(b) Bruce House

The rate of return on the property for the year of 13% is not low as it is in line with the average return on properties which range between 10-15% and is expected to increase due to rent escalations.

(c) Hazina Towers

The rate of return for the year on the building of 4.0% appear to be low because the property is still new and the rate is expected to increase gradually as rent get reviewed as per each tenant's lease.

(d) View Park Towers

The rate of return on the building of 8% per year still appear to be low because the building is still relatively new but is expected to rise with review of rents.

(e) Hazina Plaza - Mombasa

The property had a rate of return of 10.5% during the year under review which is in line with the average return on property which range between 10 - 15%.

(f) Moktar Daddah Street - Nairobi

The property was basically acquired due to its potential for development of a modern building and that the old structures on the plot have since been demolished to pave way for a new office and shopping accommodation complex.

(g) State House Road

Although the plots have two houses which have a rate of return of 1%, the plots were basically acquired because of their potential for development of modern residential houses.

The Committee was further informed that the amount indicated as arrears amounting to Kshs.160,660,000 include rent for the quarter ended 30th June, 1996 which had been collected by the Managing Agents but had not been remitted to the Fund by 15th July, 1996.

The Committee noted that the rate of return of some of the properties had improved substantially.

The Committee reiterates its earlier recommendations under paragraph 5 and 6 of the 1993/94 and 1994/95 accounts (Eighth Report) that:-

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

(ii) That the investment in land and buildings in particular, should not be undertaken in future.

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

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

9. SOCIAL SECURITY HOUSE - ANNEX

In paragraph 7 of my previous year's report it was pointed out that the Fund awarded a contract for construction of a car part at a price of Kshs.1,576,000,000 on a property LR No.209/11297, the land adjacent to the New Social Security House. Although the Fund has so far incurred a total of Kshs.450,000,000 in payments of the construction work and professional fees, the project has stalled and is considerably behind schedule due to an apparent lack of capital on the part of the contractor. Consequently, the realization of the project at the initial contract price of Kshs.1,576,000,000 is in doubt.

The Committee heard the evidence given by the Chief Executive that the Fund awarded a contract for the construction of a Car park in 1993 at a sum of Kshs.1,576,000,000 without a detailed feasibility study which nevertheless stalled before completion after the Fund had incurred Kshs.450 million.

The Committee was informed that:-

(i) The Contractor experienced financial problems which made him to cease operations on site in Mid-1997.

(ii) That contractor was eventually determined in July, 1997.

(iii) The Fund is in the process of documenting for the completion of the project after which fresh competitive bids will be invited to determine final contract sum.

The Committee observed with concern that:-

(i) Kshs.1.576 Billion Car park project was executed irregularly and imprudently without any feasibility study done to justify its viability.

(ii) Kshs.450 million already spent on the project in respect of construction work and professional fees, is not commensurate to the work already done.

The Committee reiterates its earlier recommendation under Paragraph 7.2 of the 1995/96 accounts (Eighth Report) that the Chief Executive should abandon the project.

INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION (ICDC)

REPORT OF THE BELLHOUSE MWANGI ERNST & YOUNG ON THE ACCOUNTS OF THE INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION (ICDC) FOR THE YEAR ENDED 30TH JUNE, 1996

1. OPENING BALANCES AND COMPARATIVE FIGURES

We did not report on the accounts for the year ended 30th June, 1995. It was not possible for us to carry out the auditing procedures necessary to obtain our own assurance as regards opening balances. Consequently we express no opinion on these balances and on the comparative figures shown in these accounts.

The Committee heard the evidence given by Chief Executive that auditors Messrs Bellhouse Mwangi, Ernst & Young started auditing the corporation's accounts from the 1995/96 Financial year following its exemption from the State Corporations Act in 1995 and Auditor General (Corporation's) advise that an auditor be appointed in accordance with the ICDC Act (Cap. 445).

The Committee further heard that the auditors were unable to express an opinion on the opening balances as at 1st July, 1995 and the comparative figures shown in the accounts given that the Auditor-General (Corporations) had audited the accounts.

The Committee noted that the figures which had been audited by the Auditor-General (Corporation's) were indeed correct. The Committee recommends that the accounts of the Corporation should be audited by the Auditor-General (Corporations) or a private auditor appointed by him.

2. SOYA OIL AND FOOD INDUSTRIES LTD

The Soya Oil & Food Industries Limited was financed by the Corporation under the guarantee of the Government of Kenya. Though the bulk of equipment and machinery needed for the projects had been acquired, subsequent appraisal had indicated the project was economically not viable and recommended they be sold. Information available indicates the Government accepted the recommendation that the equipment and machinery already acquired for the project be sold and proceeds used to pay off the liabilities incurred on the project which amounted to Kshs. 941,952,320 as at 30th June, 1996. However, the terms of the financial arrangement between the Government of Kenya and the Corporation in respect of this project are not clear. Under these circumstances we are unable to form an opinion whether the amount spent by the Corporation on the project amounting to Kshs. 941,952,320 is recoverable. We have been made to understand that the necessary procedures are being put into place for the Government to assume this loss.

The Committee heard the evidence given by the Chief Executive and was informed that the Soya Bean Oil Solvent Extraction plant project was conceived by the Corporation and that Mr. John Savage of M/s Savage Holdings Ltd approached the Corporation with a feasibility study on the same and a pledge for sourcing of funds.

The Committee was further informed that: -

(i) The project was financed by the Corporation through an Indosuez bank loan of BEF 494.5 million under the guarantee of the Government of Kenya.

(ii) The project implementation stalled partly due to lack of local funds expected from the Government for financing of civil works and buildings.

(iii) By the time the project stalled, only machinery and equipment for phase one for extraction had been delivered while machinery and equipment for the other phases comprising of refining, hydrogenation and margarine blending had not been procured.

(iv) The Government accepted the ICDC recommendation of disposing off the equipment and machinery and the proceeds to be used to pay off the liabilities incurred which stood at Kshs. 941,952,320 as at 30th June, 1996. (the Auditor-General (Corporations) figure stood at Kshs. 958,844,400 as at 30th June, 1995.)

The Committee observed that:-

(i) An Inter-Ministerial Committee set up by the Ministry of Commerce and comprising of Energy, Regional Development, Livestock Development, Finance and Agriculture to provide expert advice on the project viability did not come up with any recommendation or produce any report yet due approval for the project was granted by all relevant Government bodies.

(ii) ICDC did not play any role in identification of the suppliers of the equipment and that the identification was solely done by Mr. John Savage of Savage Holding Limited who was neither an employee of ICDC nor the Government.

(iii) It is difficult to believe that Mr. Savage, a private citizen, involved himself in the project simply because he wanted to assist the people of Kenya, and that his involvement in the project was none other than as an agent of the suppliers of the Project's equipment and machinery.

(iv) The involvement of Mr. John Savage was suspect as he acted as an agent between the Corporation and the Belgian firm to defraud the tax payers' money.

(v) The stalled project was executed in haphazard manner by procuring the extraction plant machinery before the infrastructure and civil works were developed.

(vi) The Corporation has not to-date opened the containers to physically verify and confirm the shipment packing list with the actual equipment purportedly supplied for phase one (Extraction Plant).

(vii) Although it is purported that three valuation have been carried out on the machinery, the containers have not been opened.

(viii) The then ICDC Chief Executive Mr. John Simba acted imprudently by accepting to allow procurement of machinery for phase one project without ensuring that there were adequate funds for machinery of phase two of the project.

(ix) Due to inadequate budgetary provision the project implementation became an embarrassment to the Government with the international financiers threatening the Government for international litigation vide letter:- 65.807/JD/RVDS/ADV of 13th June, 1995.

(x) There is no conclusive evidence to confirm that all the goods tendered for and procured were delivered and more particularly whether Soya Food and Industries Ltd received value for money on the importation of the equipment.

The Committee recommends that:-

(i) The Government should move expeditiously to open the containers in the presence of representatives of the suppliers, a competent technical team of engineers, Kenya Anti-Corruption Authority and the relevant Committees of Parliament to ascertain the authenticity of the goods supplied by 31st December, 2000.

(ii) The Director of Kenya Anti-Corruption Authority should investigate the then Chief Executive of ICDC, Mr. John Simba; Mr. John Savage of M/s Savage Holdings Ltd, and any other person(s) involved in the initiation and implementation of the project.

3. DONATION

Since 1989 the Corporation has incurred expenditure amounting to Kshs.44,074,644 (Kshs. 7,574,644 during the year) to construct a centre for Human Resources Development at Moi University and treated the amount as donations. However, it is not clear whether the laws and regulations governing the operations of the Corporation allow it to finance the activities of another State Corporation. We are therefore unable to confirm whether the Corporation is mandated to utilise its funds in this manner.

The Committee heard the evidence given by the Chief Executive that the Corporation constructed a Centre for Human Resources Development at Moi University upon the request of the then Permanent Secretary, Secretary to the Cabinet and Head of the Public Service.

The Committee was informed that: -

(i) The Board of ICDC approved the financing of the project in 1989 and that the Contractor who was awarded the tender failed to complete the project as per the agreed terms leading to the termination of the contract.

(ii) A new contractor, Victory Construction Company Ltd was appointed to complete the project.

(iii) The first contractor sued the Corporation for alleged wrongful termination of the contract and that the Corporation has filed a counter claim against the contractor.

(iv) The project has now been completed and was handed over to the university on 13th August, 1998.

The Committee noted that by the time the Corporation realised that the contribution to the project may be against the ICDC Act, the project had reached an advanced stage.

The Committee recommends that the Chief Executive should desist from financing projects which are outside the mandate of the Corporation.

KENYA AIRPORTS AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA AIRPORTS AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 1995

1. ACCURACY OF THE ACCOUNTS

1.1 The Authority's trial balanced as at 30 June 1995 did not balance. Debit balances exceeded credit balances by Kshs.14,179,498 and this difference has been posted to a suspense account. No explanation has been given for this difference out of which Kshs.7,610,498 is included in the Creditors and Accruals figure of Kshs.143,223, 845. In the circumstances, I am unable to determine its effect on the accuracy of the accounts of the Authority for 1994/95.

1.2 Further, the Authority submitted unsigned draft accounts for the year under review on 23 August 1996, ten months after the Statutory date. The draft accounts so submitted were incorrect and had to be adjusted a number of times before the version now being reported on was produced.

The Committee heard the evidence given by the Chief Executive that the accuracy of the accounts could not be determined because the debit balances posted to a suspense account exceeded credit balances by Kshs.7,610,498 and that this was caused by:-

(i) Misappropriation of Kshs.6 million as detected in the financial year 1993/94 which although a receipt was issued for the money received, the debtor account was not adjusted.

(ii) Omission of Exchange gain of Kshs.1,708,167.85 from the trial balance and understatement of cash, of Kshs.273,757.

(iii) Double posting of cash and bank balances for Kisumu and Eldoret of Kshs.172,416.65 and Kshs.3670.50 respectively.

The Committee further heard that in order to ensure accurate book keeping and timely production of accounts, the Corporation is recruiting and retaining competent professional accountants and that the financial records are being computerised.

The Committee was informed that the delay and the submission of un-signed accounts was caused by transition process from the former Aerodromes department to fully fledged commercial organisation.

The Committee noted that the Chief Executive has not adequately followed up the case of loss of Kshs.6 million.

The Committee recommends that the Director of Kenya Anti-Corruption Authority should investigate the then management of the Authority over the loss of Kshs.6 million with a view to prosecuting culprits.

The Committee further recommends that the Corporation should submit signed accounts within the statutory dates.

2. CASH AND BANK BALANCES

2.1 The Balance Sheet cash and bank balance figure of Kshs.369,421,546 includes unreconciled bank balance figure of Kshs.176,087.

Further, the reconciled bank balance for Moi International Airport amounted to Kshs.2,055,517 while that included in the balance sheet figure of Kshs.369,421,546 for this station amounted to Kshs.1,781,760 resulting in an understatement of Kshs.273,757 which has not been explained. In addition other amounts of cash on hand and at bank held by 3 stations amounting to Kshs.1,519,000 were excluded from note 8 to the accounts and the balance sheet figure of Kshs.369,421,546.

2.2 A scrutiny of the bank reconciliation statement as at 30 June 1995 revealed that payments in the bank statement (direct debits) not entered in the cash book amounted to Kshs.289,984,770. Out of this amount Kshs.233,064,432 relate to debits brought forward from the previous years and their nature could not be established because supporting documents were not produced for audit verification.

2.3 A further scrutiny of the bank reconciliation statement revealed that receipts totalling Kshs.26,279,611 were in the cash book but not entered in the bank statement for periods ranging between 6 months and 2 years. Out of this amount, receipts totalling Kshs.24,309,840 relate to previous years and could not be vouched because supporting documents were not produced for audit verification. Further, interest earned and entered in the bank statement but not recorded in the cash book amounted to Kshs.14,402,950 out of which Kshs.8,201,475 relate to interest earned during 1993/94 which had not been entered in the cash book by August 1997. Stale cheques totalling Kshs.3,223,052 relating to previous years had not been reversed as at August 1997.

2.4 As a result of the above, it was not possible to confirm the correctness of the Cash and Bank Balance Sheet figure of Kshs.369,421,546 as at 30 June 1995.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet cash and bank balance figure of Kshs.369,421,546 includes unreconciled bank balance figure of Kshs.176,087 which represents the Kisumu Airport and Eldoret airstrip bank accounts of Kshs.172,416.65 and Kshs.3,670.50 respectively which arose out of double posting to cashbook and which has since been corrected.

The Committee was informed that:-

(i) The certified bank balance of Kshs.1,781,760 at Moi International Airport

station was erroneously used instead of the reconciled figure of Kshs.2,055,517 and that the understatement of Kshs.273,757 has since been posted.

(ii) The amounts of cash on hand and at bank held by 3 stations amounting to Kshs.1,519,000 relates to collections for 30th June 1999 which is a cut-off date for 1994/95 and were banked on 1st July 1996.

The Committee was concerned that the Corporation had not provided a documentary evidence for reconciling the cash and bank balances amounting to Kshs.233,064,432.

The Committee was further concerned that the Corporation has had a poor record of book-keeping and financial controls.

The Committee recommends that the Chief Executive should ensure that proper book-keeping is maintained by the Authority and that strict financial controls are put in place.

3. REVENUE

In my previous reports, I mentioned that although Section 12(e) of the Kenya Airports Authority Act empowers the Authority to determine, impose and levy rates, charges, dues or fees for any services performed, the Passenger Airport Service charge which is a charge for services rendered to departing passengers is being collected by the Kenya Revenue Authority contrary to the Kenya Airports Authority Act (Cap 395). When discussing the 1992/93 audit report, the Public Investments Committee directed the Chief Executive to liaise with the Parent Ministry, the Treasury and the Attorney General with a view to harmonising the Kenya Airports Authority Act (Cap 395) with the Air Passenger Service Act (Cap 475). However, I have not been advised of the progress made on the matter.

The Committee heard the evidence given by the Chief Executive and was informed that:-

(i) The Kenya Revenue Authority is still collecting revenue related to passenger Airport service charge.

(ii) The Chief Executive wrote to the Permanent Secretary, Treasury vide letter Ref.KAA/12/15/VOL.(56) explaining that the provision of the facilities and services that enhance passenger and baggage through the Airports constitute an expense to the Authority.

(iii) In 1997/98 the Authority incurred a total cost of Kshs.471,224,900 for processing international passengers and Kshs.33,805,682 for processing local domestic passengers.

(iv) The Chief Executive wrote again to the Permanent Secretary, Treasury vide letter Ref./CAA/12/15 Vol. 1/(57) dated 3rd August, 1999 asking for progress on the matter and that Treasury has not responded yet.

The Committee once more noted with concern that although this issue was discussed by previous Committees and an appropriate recommendation made in the Seventh and the Eighth Reports no effort has been put by the Office of the Attorney-General towards harmonisation of the two conflicting Acts.

The Committee recommends that the Attorney-General should harmonise the Kenya Airports Authority Act (Cap 395) and the Air passenger services Act (Cap 475) by 30th September, 2000 in respect of revenue appropriation.

4. CAR LOAN DEPOSITS

During the year under review, the Authority deposited Kshs.5,000,000 free of interest in a Commercial bank as security against car loan scheme operated by the Bank for the Authority's staff. The Authority has not explained satisfactorily what necessitated this course of action bearing in mind that all car loans given by the bank to the staff are guaranteed by the Authority. The Authority's profit of Kshs.221,760,713 shown in the Balance Sheet as at 30 June 1995 is therefore, understated to the extent of the interest that ought to have been earned by this deposit during the year under review.

The Committee heard the evidence given by the Chief Executive that the Authority placed Kshs.5 million free of interest in a Commercial Bank as security against car loan and that Board's approval for the said deposits was given vide minutes 101/94.

The Committee was informed that:-

(i) Staff members who had taken the loan were charged preferential interest rates.

(ii) The management later renegotiated and got interest after realising it was loosing.

The Committee was concerned that the Authority lost interest that ought to have been earned on the deposit of the Kshs.5 million during the year under review.

The Committee noted that interest on the said deposit was paid during the 1995/96 financial year, thereby resolving the audit query.

5. OUTSTANDING LOAN LIABILITY

As reported in the previous year, the long term loans shown in the Balance Sheet of Kshs.3,403,195,000 were borrowed by the Office of the President and the Ministry of Finance for the rehabilitation of the Moi International Airport and the recarpeting and providing telecommunication equipment for Jomo Kenyatta International Airport.

Relevant loan agreements have still not been produced for audit verification and in the circumstances, I have been unable to ascertain the terms of the loans and compliance with these terms. In addition, there was no charge in the accounts for interest accruing on these loans during the year under review and the profit is therefore overstated to the extent of the interest omitted. Further from the accounts, it would appear that no loan repayments were effected during the year.

The Committee heard the evidence given by the Chief Executive that the records of loans acquired by the government prior to the formation of Kenya Airports Authority have not been availed to the Authority and therefore cannot be produced for audit verification.

The Committee further heard that the Ministry of Finance wrote vide letter Ref.No.CONF.11/05 dated 8th April, 1999 stating that the loan of Kshs.3,403,194,000 is a liability of the government of Kenya and is being serviced by the Treasury.

The Committee was also informed that following Treasury's direction, the Authority is now reporting the balance in their books as part of Government share capital.

The Committee was concerned that the loan was being converted into equity without the requisite approval from the Board of management of the Authority.

The Committee therefore recommends that Treasury should make available the loan agreements to the Auditor-General (Corporations) for verification without further delay.

The committee further recommends that the approval of the Board of Management of the Authority must be obtained before the outstanding loan liability of Kshs.3,403,194,000 is converted into equity.

6. REHABILITATION CONTRACT

During the year under review, the Authority spent Kshs.408,452,089 out of its recurrent revenue to finance rehabilitation of Moi International Airport, Mombasa. According to the loan agreement number KE-P14, the Overseas Economic Co-operation Fund of Japan was to finance the project at a cost of Japanese Yen 7,560,000,000 while the Kenya Government was to meet the other cost of Kshs.925,740,000. Although I have been informed that the Authority spent Kshs.408,452,089 to finance the project from its recurrent revenue because the Government of Kenya did not make any provisions for the project in 1994/95, I have not been able to establish the terms under which this amount was utilized. I have also not seen the Board's minutes approving the financing of the project from revenue.

The Committee heard the evidence given by the Chief Executive that the Authority spent Kshs.408,452,089 out of its recurrent revenue to finance the rehabilitation of Moi International Airport, Mombasa which was to be financed

by the Overseas Economic Co-operation fund of Japan at a cost of yen 7,560,000,000 while the Kenya Government component was Kshs.925,740,000.

The Committee further heard that following a meeting held between the Office of the President, the Treasury and the Authority, it was agreed that Treasury would not fund the project and that the Authority would meet the Government of Kenya's component amounting to Kshs.925,740,000.

The Committee noted that the financing of the project was approved by the Board vide Minute 132/18/95.

7. AGREEMENT BETWEEN THE GOVERNMENT AND THE HOUSE OF PERFUME

As reported previously, on 27 April 1989, the Government of Kenya signed an agreement encompassing the lease contract for the operation of duty free complexes at the Jomo Kenyatta and Moi International Airports. The contract period was initially for ten years renewable for a further lease period of ten years at the Company's option. Under the agreement, the Company is entitled to sub-let the leased premises to any person or individuals, who are not citizen of Kenya, and bring them into Kenya without restrictions and exempted from all Kenyan taxes and relevant Commercial licenses. These terms of the agreement would appear unfavourable to the Government and the Authority and could lead to possible loss of revenue in the form of trade concessions, advertisement and rents.

In the circumstances, I am unable to determine the propriety and efficacy of the agreement. The Authority had entered into a lease agreement with the Company dated 25 August 1995 but this is subject to the original contract and might not be of relief to the Authority.

The Committee heard the evidence given by the Chief Executive that the agreement signed between the Government of Kenya and the House of perfume (Kenya Duty Free) had several flaws which could lead to loss of revenue for the Authority.

The Committee was informed that in 1993 the Authority attempted to renegotiate the agreement over the Monopoly clauses but the Attorney General advised that the original contract was binding and legally enforceable.

The Committee was further informed that the Commissioner of the Restrictive Trade Practices and Monopolies, confirmed that the contract contravened the provisions of the Restrictive Trade Practices and Monopolies Act (Cap 504). Before he could make an order on the issue, Kenya Duty Free filed an injunction against the commissioner. Kenya Airports Authority also enjoined as an interested party and the matter is still in court.

The Committee noted the following with concern:-

(i) **That the Attorney-General advised the Government to sign an agreement with the House of Perfume which contradicted the Restrictive Trade Practices and Monopolies Act (Cap 504).**

(ii) **That the contract agreement was hurriedly conceived and signed haphazardly with ill intentions leading to loss of revenue to the Authority.**

(iii) **That the agreement was signed without due regard for the Authority's interests and although this issue was discussed by the Committee in its Sixth Report, no action has been taken.**

(iv) **That the Permanent Secretary, Office of the President, *Mr. Z. Cheruiyot* refused to divulge information regarding the signing of the new agreement which is supposed to be for a further term of 10 years.**

The Committee reiterates its earlier recommendations under paragraph 3 of 1991/92 and paragraph 7 of the 1994/95 accounts that the Permanent Secretary, Office of the President, should immediately institute investigations in this case and take severe disciplinary action against the officers who signed the initial agreement without due care and consideration of public interests.

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

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

8. FIXED ASSETS

The Authority's fixed asset balance sheet figure of Kshs.3,949,899,000 is understated by Kshs.5,050,000 being the cost of a vehicle not included in the fixed assets schedule. The fixed assets are further understated to the extent of the value of two other motor vehicles transferred from a contractor and not included in the fixed assets schedule. Consequently, I am unable to confirm the correctness of the Balance Sheet fixed assets figure of Kshs.3,949,899,000 as at 30 June 1995.

The Committee heard the evidence given by the Chief Executive that the Authority's fixed asset balance sheet figure of Kshs.3,949,899,000 was understated by Kshs.5,050,000 being the cost of vehicles not included in the balance sheet in the year under review.

The Committee was informed that:-

(i) **The vehicle not included in the balance sheet had an accident while still in the hands of the contractor.**

(ii) **The two other vehicles transferred from a contractor had no value attached to them during the transfer but have since been valued and incorporated in the Authority's accounts.**

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

9. TAXABLE ALLOWANCE

During the year under review, the Authority paid car and entertainment allowance to some of its members of staff amounts totalling Kshs.724,000 and Kshs.349,036 respectively. However, the payments were made without deduction of tax as required by the Income Tax Act.

The Committee heard the evidence given by the Chief Executive that the Authority paid car and entertainment allowance to some of its members of staff amounting to Kshs.724,000 and Kshs.349,036 respectively without deduction of tax as required by the Income Tax Act. The Committee further heard that the Authority has since complied with the provisions of the Income Tax Act.

The Committee expressed concern that the allowances were paid without deduction of tax as required by law.

The Committee therefore recommends that all the members of staff who enjoyed the said allowances should be made to pay the untaxed amount by 31st December, 2000.

PROPOSED REHABILITATION AND UPGRADING OF FACILITIES AT JOMO KENYATTA INTERNATIONAL AIRPORT

The Committee heard the evidence given by the Chief Executive that electrical and electro-mechanical equipment at JKIA which were installed and commissioned in the period 1975-78 started developing problems in 1989 thereby necessitating replacement which was undertaken under a loan from the French Government.

The Committee was informed that:-

(i) **Limitation of funds for full rehabilitation of the Airport resulted in the need to seek external funding and that five reputable international firms were invited to submit proposals for financing and carrying out the works as commercial contract.**

(ii) **Out of five firms namely: Sofreavia/Basil Read and Barclays Bank (France); L.M. Chapeaux/Belgium Airports Consultants and KBC Bank (Belgium); SEE Group/Buyers Credit Firma (France); Mitsubishi Corporation (Japan) and Siemens (UK), only the first two firms submitted completed technical**

and financial proposals for the rehabilitation of the Airport.

(iii) The contract was awarded to M/s L.M. Chapeaux International and KBC/Bank of Belgium for the following reasons:-

(a) It provided a better technical and funding proposal.

(b) It was also more flexible in sourcing for equipment and would procure from various countries such as Britain, Netherlands, Germany and Belgium.

(c) Its estimate was more competitive at 3.55% above the Kenya Airport Authority engineers's estimate of US $ 38.782 million.

The Committee was further informed that:-

(i) The contract which costs 36 million Euro became effective from 3rd May, 1999 for a period of 36 months and that to date no equipments have been supplied as they are being manufactured.

(ii) An amount of 9.835 million Euro has been paid to the contractor as down payment and in respect of supply of equipments.

The Committee observed the following:-

(i) The amount already paid to the contractor is not commensurate with the work already done and that not a single equipment has been supplied.

(ii) That the contractor was identified without open tendering and that the fact that a period of nine months has been spent on agreeing on equipment specification, determining the scope of works, implementation plans and tendering processes, only confirms the assertation from the contractor that no tender documents were floated by the Authority.

(iii) That the upfront payment amounting to 9.835 million Euro made to the contractor may be lost, as the contractor has not supplied any equipment to date.

(iv) There was no evidence to prove that the equipment was being manufactured.

(v) There was no physical evidence on the ground to prove that the project had commenced.

(vi) That Kenya Airports Authority has paid to the contractor Kshs.721,000,000 (27%) of the contract price which is in excess of the performance guarantee bond of Kshs.210,000,000 (7%) yet no actual site work has commenced.

The Committee recommends that:-

(i) The project should be restructured with a view to staggering the implementation of its phases in accordance with order of priority.

(ii) The relevant Committee(s) of Parliament should ascertain the stage and the estimated value of the work-in-progress given that 27% of the estimated total cost of the contract has been paid.

NATIONAL HOUSING CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL HOUSING CORPORATION FOR THE YEAR ENDED 30TH JUNE, 1996

1. FINANCIAL POSITION

The Corporation continued to perform poorly and incurred a loss of Kshs.22,216,046(1994/95 - Profit of Kshs.6,749,,027) during the year and adjusted accumulated losses increased from Kshs.56,943,893 in 1994/95 to Kshs.102,257,866 as at 30th June 1996. The Balance Sheet Loan Amounts Due to Government increased by Kshs.115,738,951 from Kshs.1,374,948,774 in 1994/95 to Kshs.1,490,687,725 as at 30th June 1996. Included in the Loan Amounts due figure of Kshs.1,490,687,725 were loans amounting to Kshs.569,524,050 which had neither been serviced nor had interest computed for over 10 years. In view of the declining performance and the Corporation's inability to meet its obligations as they fell due, the continued operation of the Corporation would depend on the support of the Government mainly and other creditors.

The Committee heard the evidence given by the Chief Executive that the Corporation incurred a loss of Kshs.22,216,046 due to:-

(i) Exchange loss attributable to the deterioration of the Kenya Shilling against the US Dollar in the year under review.

(ii) Capital schemes losses and other funds paid to a contractor in 1996.

(iii) Increase in salaries and wages bill following changes in House allowances and an inclusion of gratuity Expenses which had inadvertently been omitted in 1995.

The Committee further heard that the Corporation was unable to repay some of the loans due to Government which increased to Kshs.1,490,687,725 as at 30th June, 1996 because it was not able to collect enough funds from the Local Authorities. The Committee however noted that the Corporation collected Kshs.117,320,000 in the year under review which was expended in repaying an amount of Kshs.43,071,000 to Riggs Bank N.A. of Washington DC and an amount of Kshs.6,170,351.25 paid to Government on rescheduled arrears while the rest was applied to the recurrent expenses.

The Committee was informed that in order for the Corporation to address the issue of cashflow, it intends to sell its estates to the public, reduce staff and recurrent expenditure to be in line with the revenue available.

The Committee noted that unless the Corporation move with speed to turn round its operations in line with sound business principles and prudent commercial

practices in a liberalised market, its financial position will continue to deteriorate.

The Committee recommends that the Corporation should be restructured and its mandate reviewed both in the mode of provision of affordable housing and efficient management in accordance with the changed circumstances.

2. LOAN ARREARS DUE - KSHS.1,167,733,249

The Balance Sheet Loan Arrears Due figure of Kshs.1,167,733,249 (1994/95 - Kshs.1,103,809,693) is comprised of Local Authorities and Rural Housing Loans balances of Kshs.1,101,210,109 and Kshs.66,523,140 respectively. Included in the Local Authorities loan arrears due figure of Kshs.1,101,210,109 is an amount of Kshs.23,567,692 due from Eldoret Municipal Council in respect of Kapsoya Site and Service Scheme. The Kapsoya Site and Service Scheme had been disposed of by the Council who did not repay the loan arrears due. Further, the net Rural Housing Loans Arrears amount of Kshs.66,523,140 after provision for Bad Debts and repayments of Kshs.20,013,332 and Kshs.8,835,510, respectively are mainly in respect of the unsecured loans the Corporation had issued in early 1970s and which were attracting interest at 8½% per annum. Unless loans recovery machinery is strengthened, the Corporation is likely to make large losses on these loans.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet loan Arrears figure of Kshs.1,167,733,249.00 includes Local Authorities and Rural Housing Loans balances of Kshs.1,101,210,109.00 and Kshs.66,523,140.00 respectively.

The Committee further heard that:-

(i) The Local Authorities Loan Arrears balance includes an amount of Kshs.23,567,692.00 due from Eldoret Municipal Council in respect of Kapsoya Site and Service Scheme which had been disposed off by the Council.

(ii) The net Rural Housing loan Arrears amount of Kshs.66,523,140.00 is in respect of the unsecured loans issued in early 1990's.

The Committee was informed that the Corporation is pursuing the repayment of Kshs.23,567,692.00 due from Eldoret Municipal Council and Kshs.66,523,140 in respect of Rural Housing Loans through court process.

The Committee was further informed that the Corporation has changed the lending policy and security is now a mandatory requirement before a loan is advanced.

The Committee reiterates its earlier recommendations under paragraph 3 of 1994/95 accounts (Eighth Report) that:-

(i) The Chief Executive should liaise with the parent Ministry and the Ministry

of Local Government to ensure that the loan arrears amounting to Kshs.1,167,733,249.00 is recovered in full.

(ii) The Board should only advance loans against collateral or other securities to guard against defaulters.

3. EXPENDITURE THROUGH CREDIT CARD

During the year under review, expenditure amounting to Kshs.231,482 was observed to have been incurred by the Chief Executive through the use of the senator card No.510037865759 in addition to drawing monthly entertainment allowance. This is in contravention of Office of the President Circular no.1/93 of 29th April, 1993 and OP9/21/2A/Vol.41/42 of 17th March, 1993 which prohibit charging of subscription to and expenses on credit or charge cards to public funds. No waiver on the use of credit card was made available for audit and the amount should not have, therefore, been charged to public funds.

The Committee heard the evidence given by the Chief Executive that the expenses amounting to Kshs.231,482 incurred through the use of credit card (Senator Card No.510037865759) were legitimate as they relate to payment of fuel for official car used by the Managing Director as well as for his official entertainment.

The Committee however observed that the facility was used by the Managing Director without authority.

The Committee noted that the Chief Executive abused the use of the credit card in clear violation of the existing circular which prohibit charging of subscription to and expenses on credit or charge cards to public funds.

The Committee therefore recommends that:-

(i) The Chief Executive should with immediate effect discontinue the use of credit card.

(ii) The Chief Executive Mr. Lawi Kiplagat should be surcharged for incurring expenditure amounting to Kshs.231,482 on the credit card without authority.

4. SALE OF LR. NO.209/11395 - KIBERA HIGHRISE PHASE II

The Corporation was noted to have surrendered its LR.No.209,11395 Plot B to the Commissioner of Lands for re-allotment to an individual without the approval of the Board and the parent Ministry. The allottee paid Kshs.2,000,000 only to the Corporation although the valuation of the property by M/S Housing Valuation Consultancy was Kshs.12,500,000. It is not clear how the allottee was identified and the sale price determined. In the absence of open tendering and without evidence of the approval of the Board and the Parent Ministry to surrender Plot B to the Commissioner

of Lands, I am unable to confirm the propriety of the transaction.

The Committee heard the evidence given by the Chief Executive that the Corporation surrendered plot LR.NO.209/11395 which had been reserved for it to the Commissioner of Lands who then allocated it to another allottee, Paroj Investments.

The Committee was informed that:-

(i) The new allottee paid Kshs.2,000,000 to the Corporation for the Site Office which had been erected on the property.

(ii) The Corporation disposed off the plot in clear violation of the provisions of section 13 of the State Corporations Act (Cap 446) and without the approval of the Board and the parent Ministry.

The Committee noted that the Chief Executive surrendered the plot reserved for it to private developer in flagrant breach of the provisions of Section 13 of the State Corporations Act (Cap 446) and without the approval of the Board and the parent Ministry.

The Committee further noted that the Chief Executive surrendered the plot at Kshs.2 million against the valuation of Kshs.12,509,000 by M/s Housing Valuation Consultancy.

The Committee was further informed that the said plot has now reverted to the Corporation and that Paroj Investments has been advised to get refunds for any payments they may have made to the Commissioner of Lands arising from the transaction thereof.

The Committee therefore recommends that:-

(i) The Chief Executive Mr. Lawi Kiplagat should be investigated by the Director of Kenya Anti-Corruption Authority with a view to being prosecuted for abuse of office.

(ii) The Chief Executive Mr. Lawi Kiplagat should be dismissed from public service and be barred from holding any public office conferred by the Republic of Kenya.

5. MOTOR VEHICLES NO.KAE 965T AND PAJERO KAD 954R

The Corporation's motor vehicles registration numbers KAE 965T and Pajero KAD 954R bear civilian number plates contrary to the regulations. No authority was seen allowing of civilian number plates instead of the blue number plates required for state corporations' vehicles. I am, therefore, unable to confirm that the two vehicles are property registered and that they were being solely utilised for the Corporation's duties.

The Committee heard the evidence given by the Chief Executive that although car Reg. No. KAE 965T is in civilian registration, it is the official car of the Managing Director and is used for official duties only.

The Committee further heard that the Corporation sought authority to register PAJERO Reg. No. KAD 954R in civilian numbers because of the nature of duties it was supposed to be used for.

The Committee recommends that the two vehicles must be registered with blue number plates required for State Corporations' vehicles immediately and not later than 30th September, 2000.

NATIONAL HOUSING CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL HOUSING CORPORATION FOR THE YEAR ENDED 30TH JUNE, 1997

1. FINANCIAL POSITION

The Corporation's financial position continued to deteriorate as it recorded a loss of Kshs.17,728,612 (1995/96 - Kshs.22,216,046) during the year and the adjusted accumulated losses increased from Kshs.102,257,865 in 1995/96 to Kshs.439,067,440 as at 30 June 1997. The Balance Sheet Loan Amounts Due to Government increased by Kshs.529,183,588 from Kshs.1,490,687,725 in 1995/96 to Kshs.2,019,871,313 as at 30th June 1997. The Balance Sheet also reflects a negative working capital of Kshs.123,664,937 (1995/96 - positive Kshs109,826,677) Evidently, the Corporation was technically insolvent and not able to meet its financial obligations when due and the accounts have been prepared on a going concern basis assuming continued financial support from Government mainly.

The Committee heard the evidence given by the Chief Executive that the Corporation incurred a loss of Kshs.17,728,612 due to:-

(i) An increase in the interest expense which resulted from amortization of small Towns shelter and Community Development Project and second Urban world Bank Project.

(ii) Cost of repairs carried out at National Housing Corporation House in Nairobi and Changamwe Estate in Mombasa amounting to Kshs.9,533,877 and Kshs.3,062,488 respectively.

The Committee further heard that the Loan amounts due to Government increased by Kshs.529,183,588 from Kshs.1,490,687,725 in 1995/96 to Kshs.2,019,871,313 as at 30th June, 1997 and that the loans had not been serviced for many years because of the failure by Local Authorities to repay their debts to the Corporation.

The Committee noted that unless the Corporation moves with speed to turn round its operations in line with sound business principles and prudent commercial practices in a liberalised market, its financial position will continue to deteriorate.

The Committee therefore reiterates its previous recommendation under paragraph 1 of the 1995/96 Accounts that the Corporation should be restructured and its mandate reviewed both in the mode of provision of affordable housing and efficient management in accordance with the changed circumstances.

2. MOTOR VEHICLES NO. KAE 965T AND PAJERO KAD 954R

As in the previous year, the Corporation's motor vehicles registration numbers KAE 965T (Volvo) and Pajero KAD 954R continued to bear civilian number plate contrary to the regulations. No authority has yet been seen allowing use of civilian number plates instead of the blue number plates required for state corporations' vehicles. I am, therefore, unable to confirm that the two vehicles are properly registered and that they were being solely utilized for the Corporation's duties.

The Committee heard the evidence given by the Chief Executive that although the vehicles Volvo KAE 965T and Pajero KAD 954R bear civilian number plates, they are registered in the name of the Corporation and are under exclusive use of the Managing Director for official duties.

The Committee reiterates its earlier recommendation under Paragraph 5 of the 1995/96 Accounts that the two vehicles KAE 965T and KAD 954R should be registered with blue number plates required for State Corporations' vehicles immediately and not later than 30th September, 2000.

3. USE OF CREDIT CARD

During the year under review, the Chief Executive incurred an expenditure amounting to Kshs.245,288 through the use of the senator card No.510037865759 in addition to drawing monthly entertainment allowance. As pointed out in the previous year's report, use of the credit card contravened the Office of the President Circulars No.1/93 of 29th April, 1993 which prohibit charging of subscription to and expenses on credit or charge cards to public funds. No waiver on the use of credit card was made available for audit and the amount should not have, therefore, been charged to public funds.

The Committee heard the evidence given by the Chief Executive that he incurred an expenditure amounting to Kshs.245,288 through the use of a senator card and that the amount was related to payments for Managing Director's car fuel and his official entertainment.

The Committee however observed that the facility was used by the Managing Director without authority.

The Committee noted that the Chief Executive abused the use of the credit card in clear violation of the existing circulars Ref. No.1/93 of 29th April, 1993 and OP9/21/2A Vol.41/42 of 17th March, 1993 which prohibit charging of subscription to and expenses on credit or charge cards to public funds.

The Committee therefore reiterates its previous recommendations under paragraph 3 of the 1995/96 accounts that:-

(i) The Chief Executive should with immediate effect discontinue the use of credit card.

(ii) The Managing Director Mr. Lawi Kiplagat should be surcharged for incurring expenditure amounting to Kshs.231,482 on the credit card without authority.

4. LOAN ARREARS DUE

The Balance Sheet Loan Arrears Due figure of Kshs.1,242,317,327 comprised Local Authorities and Rural Housing Loans balances of Kshs.1,169,594,524 and Kshs.72,722,803, respectively. Included in the Local Authorities Loan Arrears due is Kshs.23,567,692 due from Eldoret Municipal Council in respect of Kapsoya Site and Service Scheme which the Council disposed of but failed to clear Loan arrears due. Further, the net Rural Housing Loan Arrears of Kshs.72,722,803 are mainly composed of the unsecured Loans which the Corporation had advanced in the early 1970s. Unless Loan recovery machinery is strengthened, the Corporation is likely to make large losses on these Loans.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet Loan Arrears figure of Kshs.1,242,317,327 includes Local Authorities and Rural Housing Loans balances of Kshs.1,169,594,524 and Kshs.72,722,803 respectively.

The Committee was informed that:-

(i) The Local Authorities Loan Arrears balance includes an amount of Kshs.23,567,692 due from the Eldoret Municipal Council which the Corporation is pursuing its repayment through a court process.

(ii) The net Rural Housing Loans Arrears amounting to Kshs.72,722,803 is in respect of the unsecured loans issued in early 1990s and that the Corporation has put in place several measures to recover them.

The Committee noted that the Corporation has changed its lending policy and that security is now a mandatory requirement before a loan is advanced.

The Committee therefore reiterates its previous recommendations under paragraphs 3 and 2 of the 1994/95 (Eight Report) and 1995/96 accounts that:-

(i) The Chief Executive should liaise with the parent Ministry and the Ministry of Local Government to ensure that the Loan arrears amounting to Kshs.1,242,317,327 is recovered in full.

(ii) The Board should only advance loans against collateral or other securities to guard against defaulters.

5. **** CONTRACTS

During the year under review, the Corporation awarded three contracts at Kshs.2,499,500, Kshs.752,630 and Kshs.1,725,000 to a construction company, a

trading company and a promotions and designs company, respectively without following proper procurement procedures. In view of the anomalies in a awarding these contracts, I was unable to confirm that the Corporation obtained value for money on the transactions.

6. **** MANAGING DIRECTOR'S SALARY

The Corporation paid its Managing Director a 14 months salary arrears amounting to Kshs.3,508,360 based on a salary Kshs.270,000 per month without deducting tax contrary to both the Income Tax Act, (Cap 470), and Treasury's letter Ref. No.CONF.47/01/39 OF 29 September 1998 on his terms of service. The Managing Director also continued to use two of the Corporation's vehicles, occupy a fully furnished Corporation house, drawn a monthly entertainment of Kshs.4,500 and enjoy unlimited medical cover and use of credit card when the approved salary was consolidated and inclusive of all the allowances. Further, no evidence was made available to confirm approval of his terms and conditions of service by the State Corporations Advisory Committee as required by Section 5(3) of the State Corporation Act.

In view of the foregoing, I was unable to confirm t hat these payment were within the terms of service as approved and that the Corporation's ability to sustain t he salary in the medium and long term was taken into account.

**** **No Evidence was adduced on the two paragraphs after the Committee declined to meet the Chief Executive Mr. Lawi Kiplagat for having been banned from holding public office by past Public Investments Committees (Ref. in paragraph 5 of the Milling Corporation of Kenya Ltd, Special Report and in paragraph 4.1 of the National Cereals and Produce Board 1994/95 Account, Eighth Report).**

The Committee recommends that the incoming Public Investments Committee should take evidence on the said paragraphs 5 and 6 of the 1996/97 accounts.

Sabaki Housing Project - Malindi

The Committee heard the evidence given by the Chief Executive that:-

(i) The housing project was originally started by M/s Sabaki Enterprises Ltd by putting up 4 sample housing units and that the Company later approached the Corporation for a joint venture in developing the remaining units.

(ii) The housing project stands on a 5 acre plot which has been sub-divided into 55 plots and a total of 22 units comprising of 4 different types of houses are being developed at a cost of Kshs. 17 million.

(iii) The Corporation has since discarded the joint venture with the contractor for a partnership relationship and has decided to pay the contractor for the

services already rendered.

(iv) The housing project is 95% complete and a discharge of charge on the 5 acre plot has been given by the Bank and is only awaiting the Municipal Council approval.

(v) The Corporation and the Sabaki Estates Limited held a meeting in which it was agreed that the former would play the role of the developer while the latter the role of contractor.

The Committee observed that:-

(i) The Corporation was executing a housing project worth Kshs.17 million without a formal agreement between the Corporation and the contractor formerly partner.

(ii) There is apparent wilful negligent on the part of the Corporation to handle the transaction on the housing project of such magnitude without the necessary legal arrangements.

(iii) The Corporation entered into partnership with M/s Sabaki Enterprises Ltd to develop a housing project on a parcel of land which the Corporation did not own and was charged at the time thereby exposing the Corporation to great risk.

(iv) Although the Corporation anticipates that the total proceeds from the project would be Kshs.23,650,000 against an investment of Kshs.17,705,300 for the 22 housing units, the project may not realise profit on the said units due to other incidental costs like consultancy.

(v) No approval was sought from Malindi Municipal Council for the building plans and the sub-division of the land where the housing project stands.

The Committee recommends that:-

(i) The Corporation should ensure that an agreement is signed between the Corporation and the Sabaki Estates Ltd on the above transaction and that Performance Bond and Insurances be provided by the contractors.

(ii) Seventeen (17) housing units under construction should be completed and sold off before embarking on the remaining units to determine the cost and profitability of the housing project.

(iii) The Director of Kenya Anti-Corruption Authority should investigate the Managing Director, ***Mr. Lawi Kiplagat*** for acting imprudently by committing the Corporation financially into the housing project without legal agreement.

NATIONAL WATER CONSERVATION AND PIPELINE CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL WATER CONSERVATION AND PIPELINE CORPORATION FOR THE YEAR ENDED 30TH JUNE, 1997

1. DEFICIT

The Corporation's Income and Expenditure account for the year reflects a deficit of Kshs.266,968,259 (1995/96 - Kshs.261,020,317 which brings the cumulative deficit as at 30th June 1997 to Kshs.1,301,684,048. The deficit is attributable to an increase and upward adjustment of accumulated depreciation charge resulting from revaluation of assets in 1996. As observed in my previous years reports, unless the Corporation's revenue base is improved, the Corporation will continue to post deficits. Further because of poor financial base, the Corporation may be unable to achieve, in future, its main objective of managing and developing water projects as provided for in the enabling Legal Notice no.270 of 24 June, 1988.

The Committee heard the evidence given by the Chief Executive that the Corporation reflected a deficit of Kshs.1,301,684,048.00 as at 30th June, 1997 and that this was attributable to an increase and upward adjustment of accumulated depreciation charge of Kshs.1,014,510,328.65 after their valuation.

The Committee was informed that in order to address the issue of the deficit the Corporation has annually reviewed its water tariffs which, however, have not been able to cover the Recurrent Expenditures Depreciation and Returns on investment.

The Committee was also informed that the Corporation has submitted a proposal to revise water tariffs by about 35% to the Minister for Water Development and which is hoped will enable it to post a surplus in future.

The Committee observed with concern that the Corporation has continuously applied for a review of tariffs upwards while it is unable to collect debt based on the current tariffs.

The Committee noted with concern that the Minister has continued to revise water tariffs upwards without due regard to the resolution of the House in the Eighth Report.

The Committee therefore reiterates its earlier recommendations under paragraph 5 of the 1995/96 Accounts, Eighth Report that:-

(i) The Chief Executive should ensure that the Corporation collects its outstanding debts and institutes strict measures to improve its billing and

current revenue collection.

(ii) The Minister in charge of Water Development should refrain from revising water tariffs upwards but ensure that the Corporation collects debts from its consumers.

2. WATER DEBTORS

As in the previous years, one of the major assets of the Corporation is still the water Debtors, which stood at Kshs.1,090,535,898 as at 30 June 1997 (1995/96 Kshs.860,490,591) after Kshs.272,633,794 or 20% provision for bad and doubtful debts. As pointed out in my previous year's report, the system of charging and raising water bills still needs to be evaluated with a view to putting in place a proper control policy. Despite management's indication in the previous year that an audit team had been assigned the task of analysing, and assessing the collectability of the above debts, I have not yet seen the results of that exercise and it is doubtful that the Corporation will realise the debts reflected in the balance sheet. Further, there was an unreconciled variance of Kshs.277,463,658 between the unadjusted general ledger balance of Kshs.1,390,257,252 and the total returns from the regions of Kshs.112,793,594. It is therefore doubtful that Water Debtors figure of Kshs.1,090,535,898 is correctly reflected in the balance sheet.

The Committee heard the evidence given by the Chief Executive that water debtors stood at Kshs.1,090,535,898 as at 30th June, 1997. The Committee further heard that there was unreconciled variance of Kshs.277,463,658 between the adjusted general ledger balance of Kshs.1,390,257,252 and the total returns from the regions of Kshs.112,793,594.

The Committee was informed that the rising outstanding amounts in respect of water debtors is attributed to the following:-

(i) Non-payment of water bills by Government departments/parastatals and other consumers.

(ii) Inadequate legal provisions for dealing with defaulters.

(iii) Administrative and managerial problems in relation to billing and revenue collection.

The Committee was further informed that the Corporation has taken the following measures to reverse the rising outstanding amounts:-

(i) Reviewing and strengthening skills by training the Corporation's staff.

(ii) Sub-division of some regions to bring services closer to the consumers.

(iii) Repairing and installation of new metres.

(iv) **Computerising the billing systems.**

(v) **Carrying out a major disconnection exercise to enforce payment of outstanding debts.**

(vi) **Discussing and resolving disputes with the major consumers to pay the outstanding balance.**

(vii) **Strengthening the Commercial Division to improve performance.**

(viii) **Proposing amendment to the Water Act which will fully address the issue of the defaulting consumers.**

The Committee observed that:-

(i) **Although the Corporation had established a commercial division for alleged effective credit control and debt recovery, the situation has worsened from Kshs.860,490,591 (1995/96) to Kshs.1,090,535,898 (1996/97) in respect of water debtors.**

(ii) **The inefficiency shown by the management of the Corporation is such that the Corporation has been unable to achieve the objectives for which it was established.**

The Committee reiterates its earlier recommendation under paragraph 1 of 1995/96 accounts of the Eighth Report that:-

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

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

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

3. ACCRUED EXPENSES

As pointed out in my previous reports, the Corporation was unable to remit statutory and other deductions to the respective organisations. Such deductions totalling Kshs.24,836,212 (1995)96 Kshs.22,445,591) were outstanding as at 30th June, 1997. The Corporation was thus, once again, in breach of the statutory obligations and could suffer penalties for failure to remit the deductions.

The Committee heard the evidence given by the Chief Executive that the Corporation was unable to remit statutory and other deductions amounting to

Kshs.24,836,212.00 to the respective organisations due to insufficient cash flow during the year under review.

The Committee noted that the Corporation has since reduced the balance outstanding by 50% from Kshs.24,836,212 in 1996/97 to Kshs.12 million in 1997/98 audited accounts as follows:-

Organisation	1996/97	1997/98
Income Tax (PAYE)	10,866,457.20	4,709,255.20
NSSF	5,170,911.00	1,217,951.00
PMG (WCPS)	1,672,813.00	171,984.20
Local Authorities Service Charge	4,705,868.60	5,580,492.05
Ukulima Sacco	2,119,427.30	-
Misc. Salary Deductions	300,734.95	376,242.00
Total	24,836,212.25	12,055,924,45

The Committee expressed concern over the continuous failure by the Corporation to remit statutory and other deductions to respective organisations in clear violation of the statutory obligations and which could attract unnecessary penalties.

The Committee therefore reiterates its earlier recommendations under paragraphs 2 of the 1994/95 and 1995/96 accounts respectively that the Chief Executive should ensure that all statutory deductions are remitted in full when due as required by law.

4. OTHER DEBTORS

Included in the Other Debtors figure of Kshs.20,014,115 are amounts of Kshs.4,397,293 and Kshs.2,695,075 debited to General Suspense and Sundry Debtors respectively. The former is comprised of debits in bank statements for which supporting documents were not made available for audit verification, while the latter is made up of debtors resulting from disposal of motor vehicles during the previous financial year. No proper explanation has been given by management as to why the vehicles were sold on credit contrary to the Corporation's cash terms of sale. Also not yet explained is Kshs.3,961,309 mentioned in my previous year's report where it was described as "Borrowings from Water Consumers - deposit accounts".

The Committee heard the evidence given by the Chief Executive that documents relating to the debits in the Bank Statements amounting to Kshs.3,541,022.35 in the Suspense Account have been provided and verified by the Auditor-General (Corporations) and that a balance of Kshs.987,287.05 would be cleared in this financial year.

The Committee also heard that:-

(i) **The amount receivable from the disposal of motor vehicles was Kshs.1,278,000 and not Kshs.2,695,075 as stated in the Auditor-General (Corporations) Report and that the Corporation did not release vehicles valued at Kshs.773,000 to the successful bidders because they had not paid the disposal amount.**

(ii) **Recoveries amounting to Kshs.505,000 in respect of vehicles released are being made from members of staff who won tenders.**

(iii) **The Corporation is in the process of re-tendering the eight vehicles valued at Kshs.773,000 that were not released to bidders.**

(iv) **The Corporation borrowed an amount of Kshs.3,961,308 from Consumer Deposits to finance its operation and maintenance expenses and that an amount of Kshs.1,305,886.50 has been refunded leaving a balance of Kshs.2,655,422.50 which will be cleared in the 1999/2000 financial year.**

The Committee was concerned that the Corporation released vehicles before total disposal amounts had been paid by the successful bidders.

The Committee recommends that:-

(i) **The Chief Executive should ensure that the Corporation ceases forthwith from borrowing funds from the water consumers account and that the balance of Kshs.2,655,422.50 should be reimbursed.**

(ii) **The Chief Executive should ensure that in future the Corporation's vehicles are sold on cash terms without any exception.**

(iii) **Recoveries amounting to Kshs.505,000 in respect of the released vehicles to members of staff should be made without further delay.**

5. LAND OWNERSHIP

Included in the fixed assets figure of Kshs.8,779,040,865 is an amount of Kshs.106,488,671 relating to land shown in the valuation report as having been acquired from the parent Ministry. The Corporation in its various schemes has pieces of land on which are built offices, staff houses, treatment works, tank sites and wayleave, but the Corporation does not have title documents to these pieces of land which are either owned by the Government, Local Authorities or individuals. Although the Corporation is making efforts to acquire title documents for these assets, the ownership of such land has not been confirmed.

The Committee heard the evidence given by the Chief Executive that the Corporation does not have title documents for all parcels of land in its possession.

The Committee was informed that:-

(i) The Corporation has paid a sum of Kshs.1.5 million towards acquisition of title deed for land where the Headquarters is situated.

(ii) A provision of Kshs.8 million has been made in the current year's budget to meet the expected expenditure of acquisition in other regions.

(iii) A title for land in Konza has been obtained and Parts Development Plans (PDP) have been drawn for other regions to provide a basis for the issuance of letters of allotment.

The Committee reiterates its earlier recommendations under Paragraph 4 of 1995/96 Accounts, Eighth Report, that the Chief Executive should ensure that the Corporation acquires title documents for all parcels of land in its possession. The Committee further recommends that the Chief Executive should acquire the said titles by 31st December, 2000.

6. KISERIAN DAM PROJECT

In June 1990, the Corporation awarded a tender for construction of a dam in Kiserian to a construction firm at a contract price of Kshs.41,601,971. The construction which was to have taken 10 months to complete was abandoned and later the contract terminated in February 1994 due to cash flow problems in the Corporation and after the Corporation had incurred a total expenditure of Kshs.51,459,502 out of which Kshs.18,759,723 remains unpaid. The Corporation further, on 4th July 1996 awarded another firm another contract of Kshs.6,277,950 for fencing around the stalled dam apparently to safeguard the land from encroachment. The fencing project was again abandoned, due to the Corporation's inability to pay, after the contractor had received a total of Kshs.3,276,090. The status of the dam project is unclear since there is no budgetary provision for its completion. The Corporation stands to lose the money already committed on the project totalling Kshs.57,737,452 unless the project is completed.

The Committee heard the evidence given by the Chief Executive that the Corporation, in 1990, awarded a tender for the construction of a fully Government funded Dam in Kiserian to a construction firm at a price of Kshs.41,601,971 and that by the time the project stalled the Corporation had incurred a total of expenditure of Kshs.51,459,502.

The Committee was informed that:-

(i) The delay in the completion of the project led to escalation of cost due to idle contractor's equipments on site and other costs associated with non-payment to the contractor.

(ii) The contract was terminated after consultation and concurrence with Parent Ministry to avoid further escalation of cost.

(iii) **The intake tower and spill way channel of the project had been completed by the time the contract was terminated.**

(iv) **The project land was fenced to safeguard it and that the fencing which was to cost Kshs.6,277,950 was however not completed due to inadequate budgetary provision and non-release of exchequer.**

(v) **An amount of Kshs.18.7 million owed to the contractor and which is in dispute was submitted to the Special Task Force in the Ministry of Finance for settlement.**

The Committee was concerned that the project was hurriedly started before the Corporation and the parent Ministry had identified proper source of funding and release of payments.

The Committee was further concerned that the construction works already undertaken on the project was not commensurate with the value of Kshs. 25 million allegedly spent on it and that the overall cost of the project, if ever is completed, will be thrice the original cost due to delay in completion and poor planning.

The Committee while noting that lack of planning had resulted in a possible loss of Kshs.57,737,452 recommends that before any project is initiated and/or terminated adequate consultation amongst the relevant authorities should be made and construction works undertaken assessed to avoid nugatory payments.

The Committee further recommends that the project should be taken over by the parent Ministry and source for funds to complete it.

7. THUKU BOREHOLES

The Corporation awarded a contract to a firm to tap and supply water from Thuku Boreholes to Kiambu town and its environs at a contract cost of Kshs.8,603,310. The completion period was to be 6 months commencing on 10th April, 1989. The contractor did not, however, complete the work and eventually vacated the site in august 1991. At the time the contractor vacated the site, the value of the work certified and other claims amounted to Kshs.11,941,127, which was well above the contracted amount. The Corporation undertook to complete the outstanding works by direct labour and has recently stated that the project will be completed in 1998/99 by utilising revenue generated within the Corporation. It is however clear that if the project is ever completed, the overall cost will be much higher than originally planned as a result of escalation of costs due to delay in completion. The project was apparently poorly planned as no proper source of funding was identified and release of payments related to the implementation programme.

The Committee heard the evidence given by the Chief Executive that a contract was awarded to a firm in April, 1989 to tap and supply water from Thuku Boreholes to Kiambu Town and its environs at a cost of Kshs.8,603,310 and that

by the time the project was terminated in August, 1999, due to slow pace of works by the contractor it had cost Kshs.11,941,127.

The Committee was further informed that:-

(i) The increase in cost was necessitated by initial change of site by the supervision staff thereby leading to additional works and cost and, that disciplinary action has been taken against the officers concerned including surcharge.

(ii) The Corporation proceeded to complete outstanding works during the year under review using its own financial resources.

The Committee noted that the project area has been fenced, the pipe inter-connection at the treatment works completed and electricity and pumping equipment installed.

The Committee was concerned that the project will cost more than originally planned as a result of escalation of costs due to delay in completion caused by poor planning by the Corporation and the parent Ministry.

The Committee recommends that the project should be completed and commissioned before 31st December, 2000.

8. NAKURU SEWERAGE REHABILITATION

The Balance Sheet figure of Work-In-Progress includes Kshs.152,811,610 being the cost of Nakuru Sewerage Rehabilitation project within the Nakuru Municipality. The project which was completed in September 1995 was financed from OECF Water Supply loan and counter-part funds from the Corporation. The project is owned by the Nakuru Municipality and these accounts may therefore have to be adjusted when the formal handing over of the project is done.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet figure of Work-in-progress includes Kshs.152,811,610 being the cost of Nakuru Sewerage rehabilitation project which was financed from the residual funds from OECF water supply loan and counterpart funds from the Government.

The Committee was informed that:-

(i) The project was completed in September, 1995 and completion certificate issued on 18th September, 1995.

(ii) The sewerage works is owned by Nakuru Municipal Council as it was operating and maintaining the sewerage system before, during and after the rehabilitation.

The Committee noted that since the funds for rehabilitation of the project were

provided by the Corporation, the amount has continued to be reflected in the Corporation's books until a formal handing over to the Municipality is completed.

The Committee recommends that the Chief Executive and the parent Ministry should liaise with the Ministry of Local Government and the Treasury with a view to formalising the transfer of the project to the Nakuru Municipal Council.

9. INTEREST ON IDA LOANS

As shown in Note 10 to the accounts, the Corporation has not paid interest at 16.65% p.a. on IDA loan, amounting to Kshs.202,487,478 accrued in the books since the financial year 1992/93. This figure does not include any penalty accruing from delayed payments. Explanation given for this non-payment is that, the Government has not provided the Corporation with interest repayment schedule.

The Committee heard the evidence given by the Chief Executive that the Corporation has not paid interest on the IDA loan since 1992/93 financial year amounting to Kshs.202,487,478.00.

The Committee was further informed that:-

(i) The loan was availed for acquiring Corporation's assets in order to increase its production capacity and improve water sales.

(ii) The Corporation will initiate repayment of the said interest once its financial position improves.

(iii) Budgetary provision was made in the 1999/2000 financial year to cater for the repayment of the interest.

The Committee recommends that the Chief Executive should ensure that the Corporation starts repaying the interest on IDA loan without further delay.

The Committee further recommends that the Treasury and the parent Ministry should provide the Corporation with the repayment schedule.

KENYA NATIONAL TRADING CORPORATION

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

1. GOING CONCERN

As previously reported the Corporation continued to experience serious liquidity problems. As at 30th June, 1995, the Balance Sheet reflected a negative working capital of Kshs. 569,009,580 compared to a figure of Kshs. 105,797,940 in 1993/94. Further, the bank overdraft increased from Kshs. 237,549,160 in 1993/94 to Kshs. 377,587,640 in 1994/95 while the creditors increased from Kshs. 962,878,280 to Kshs. 1,053,245,840 during the same period. Evidently, the Company was relying on its creditors and bankers to finance its operations. The accounts have therefore been prepared on a going concern basis assuming that the Company will continue to get support from its creditors, the parent Ministry and its bankers.

The Committee heard the evidence given by the Chief Executive that the Corporation Balance Sheet reflected a negative working capital of Kshs. 569,009,580 as at 30th June, 1995 and that the bank overdraft rose to 377,587,640 in the same period.

The Committee was informed that the liquidity problems of the Corporation was caused by: -

(i) The Procurement of stocks by issuing letters of credit to third parties which resulted in the stock being more expensive than the market price.

(ii) Settlement of Bank Guarantees amounting to Kshs. 80,696,220.35 which increased the Bank overdraft.

(iii) Payment of Excise Duty amounting to Kshs. 220,000,000 which had earlier been used to clear a Government Guarantee with Grindlays International.

(iv) Payment through bank overdraft an amount of Kshs. 300,884,130 which attracted high interest rates and penalties that ate further into the working capital.

The Committee was further informed that the Corporation took the following actions to solve the liquidity problems: -

(i) It liquidated all the stocks to reduce the indebtedness to the Bank.

(ii) Sold shares of an Associated Company (Uchumi Supermarkets) thereby realising proceeds amounting to Kshs. 309,869,265.

(iii) Retrenched its staff and closed 21 depots.

The Committee observed that:-

(i) The monopolistic nature of Kenya National Trading Corporation is no longer tenable in view of the market liberalisation and the current liquidity problems facing the Corporation.

(ii) The Government should not retain non-strategic parastatals where private investors can play a major role.

The Committee recommends that the parent Ministry should initiate action with a view to liquidating the Corporation.

2. FIXED ASSETS

As previously reported, included in the fixed asset figure of Kshs. 190,998,980 is an amount of Kshs. 30,462,540 being the value of land L.R. No. 209/10343 – Loita Street, which was apparently surrendered to the Commissioner of Lands, without the Board's approval. I have been informed that it was surrendered because the Corporation had failed to develop it within the stipulated time. Information available shows that the plot was passed on to a private firm which sold it to a financial institution. I have been informed by the Management that it has requested the Commissioner of Lands to refund to the Corporation the amount of Kshs. 30,462,540 but there is no evidence to show that it is likely to be compensated. Consequently, the amount of Kshs. 30,462.540 included in the fixed assets may not be realised.

Also included in the figure of fixed assets shown in the Balance Sheet is Plot No. Karatina/Block/1/71, valued at Kshs. 250,000 whose lease has expired and the Management has not indicated the action it is taking to secure the renewal of the lease.

Further, the Corporation's plot in Iten town has no title documents and the Management has not explained why it has not applied for the title since 1983 when the letter of allotment was issued. Besides, the Corporation's undeveloped plot at Maragua town, with a lease period of 99 years is being used by a motor repair garage whose proprietor claims the plots ownership. The Management has not indicated how it intends to solve the impeding problem.

The Committee heard the evidence given by the Chief Executive that land L.R. No. 209/10343 (Loita Street) valued at Kshs. 30,462,540 was surrendered back to the Commissioner of lands by the then Chief Executive, Mr. P.K. Arap Magut allegedly due to the failure by the Corporation to develop it within the stipulated time.

The Committee further heard that the land which was surrendered without the approval of the Board was later allocated to M/s Rapsel Ltd whose directors include Mr. Kiragu Mugwe.

The Committee was informed that the Corporation is pursuing the matter and that a legal suit has been instituted against the Commissioner of Lands, *Mr. P.K. Magut, Mr. Eric Kotut and M/s Raspel Ltd* vide Civil Suit No. HCCC. 153 of 1999 with a view to getting back the land.

The Committee was also informed that: -

(i) The Corporation was pursuing the issue of renewal of the lease of plot. No. Karatina/Block/1/71 which was allegedly sub-leased to M/s New Bakery Limited and later transferred to the Corporation on 31st December, 1996.

(ii) The Corporation has paid all the outstanding rates in respect of Iten Town plot and has applied for a title.

(iii) The Kenya Railways has revoked a temporary occupation licence given to motor garage in the un-developed plot in Maragua Town.

The Committee was concerned that the Corporation has been laxed in pursuing the renewal of the lease of Plot.No. Karatina/Block/1/71.

The Committee noted that the surrender of the land plot L.R. No. 209/10343 by the then Managing Director and the then Company Secretary who jointly signed the Deed of Renunciation was irregular and unlawful as it was never approved by the Board.

The Committee therefore recommends that the Chief Executive should follow up the Court case in respect of LR No. 209/10343 to its finalisation.

The Committee further recommends that: -

(i) The Chief Executive should liaise with the Attorney General with a view to preferring criminal charges against *Mr. P.K. Magut*, the then Managing Director and *Mrs. Grace Adera*, the then Company Secretary for surrendering plot No. 209/10343 without Board's approval in clear violation of the provisions of Section 13 of the State Corporation Act (Cap 446).

(ii) The Chief Executive should liaise with the Commissioner of Lands with a view to renewing leases and obtaining title deeds for its other pieces of land without further delay.

(iii) The Chief Executive should follow up the case of renewing the lease of plot No. Karatina/Block/1/71 with the Commissioner of Lands and the Nyeri County Council.

3. DEBTORS

Included in the debtors figure of Kshs. 347,743,660 shown in the Balance Sheet is an amount of Kshs. 7,000,000 and Kshs. 89,247,100 owed by a private firm and a collapsed bank respectively for goods which were never supplied to the Corporation. The amount of Kshs. 7,000,000 paid to the private firm for supply of fertilizer is not likely to be recovered as I have not seen evidence of firm arrangements between the firm and the Corporation on the clearing of the debt. I am, however, informed that the Corporation had a case in court in relation to the amount owed by the private bank but I have not received any indication on the outcome of the case.

In addition to the above mentioned debts, are amounts totalling Kshs. 20,030,060 owed by various firms as a result of bounced cheques some of which have been outstanding since 1993. The customers' bounced cheques were as a result of non compliance with internal controls on acceptance of cheques. The Management has explained that it is making arrangements through their lawyers to recover these amounts.

Also outstanding is an amount of Kshs. 645,320 owed by past members of staff who left the Corporation. The Corporation has indicated that arrangement are underway to collect the amounts from their final pension dues.

The Committee heard the evidence given by the Chief Executive that the Corporation is owed a total of Kshs. 328,590,794.95 which consists of Government Debtors amounting to Kshs. 190,453,563.20 and private Debtors totalling Kshs. 138,137,231.60.

The Committee further heard that:-

(i) The Government Debts are being collected with the assistance of the parent Ministry.

(ii) The Private Debts which includes bounced cheques are being collected through legal means and that some companies and individual debtors include: -

(a)	**Bawazir & Company**	**5,500,000.00**
(b)	**Jamamu Agencies**	**4,193,032.50**
(c)	**Ambwere Company Ltd**	**4,452,084.15**
(d)	**Gesoko Timbers Supplies**	**3,841,725.00**
(e)	**Charasons Ltd**	**3,330,224.30**
(f)	**L.Z. Engineering Construction Ltd**	**3,647,579.50**
(g)	**Mohammed Noor Hassan**	**3,294,213.00**

(h)	**Cooperative Bank/Trade Bank/Chesilyot**	**27,559,435.65**
(i)	**Rapsel Ltd**	**7,000,000.00**

The Kshs. 231,427 owed by former members of staff will be cleared once their pension dues from Kenya National Assurance (now in liquidation) are received.

The Committee recommends that: -

(i) The Chief Executive should actively pursue the recovery, in full, of the said debts.

(ii) The Chief Executive should liaise with the parent Ministry and the Treasury with a view to recovering Government debtors of Kshs. 190,453,563.20

4. EXTRA ORDINARY ITEM – KSHS. 64,828,960

In my previous reports, I referred to a loan of Kshs. 600,000,000 which the Corporation had borrowed from a bank without parliamentary approval for sugar importation and stated that out of the sale of this sugar, the Corporation suffered a loss of Kshs. 250,256,000. Besides this loss, the Corporation paid penalties of Kshs. 87,646,120 to the lending bank for non compliance with the terms of the loan and a further penalty of Kshs. 83,622,660 to the Commissioner of Customs and Excise after applying monies due to him irregularly to service the same loan. Besides the penalty paid to the Commissioner of Customs and Excise, mentioned above and included in the extra ordinary items charged in these accounts, was a further payment of Kshs. 2,600,000 being VAT payment on behalf of a subsidiary company previously privatised and on which the Corporation had made a loss on privatisation.

It would appear that the Corporation suffered the above losses and penalties as a result of the importation of the sugar at a loss, a fact which the management was clearly well aware of even before the importation.

The Committee heard the evidence given by the Chief Executive that the Corporation in 1989/90 imported 50,000 MT of sugar on behalf of the Government to meet a projected shortfall through a Letter of Credit valued at Kshs. 600 million guaranteed by the Government.

The Committee was informed that: -

(i) During the importation of the sugar, it was envisaged that there will be an estimated loss of the sale to domestic consumers of Kshs. 273,865,455.55

(ii) As a result of the above loss, the Corporation was unable to liquidate tne debt and thus diverted Excise Duty amounting to over Kshs.

373,840,606.40 to liquidate the bank loan.

(iii) Issues involving the said transaction and resultant losses suffered by the Corporation are being finalized by both the parent Ministry and the Treasury.

(iv) The total outstanding amount is being taken over by the Government through parent Ministry and Treasury.

The Committee was further informed that: -

(i) The then Permanent Secretary of the Parent Ministry instructed the Corporation to import sugar to meet a shortfall in the Country vide letter Ref. No. MCL/IA.75/Vol. 1A/(62).

(ii) Kshs. 250,456,000 is not directly due from the Treasury but part of the amount which KNTC should claim through its parent Ministry on account of losses incurred on Government directions.

The Committee, however, observed that in view of the Treasury's letter Ref.No. CONF. 110/01 dated 30th November, 1998, the recommendation of the previous Committee that Treasury should compensate the Corporation Kshs. 250,456,000 does not apply thus the issue of compensation should be sorted out between the parent Ministry and the Corporation.

The Committee therefore reiterates its earlier recommendations under paragraph 1 of the 1993/94 accounts, Eighth Report, that: -

(i) The parent Ministry should undertake a comprehensive review of the matter so as to finalise it by 31st December, 2000.

(ii) In undertaking this review, the parent Ministry should liaise with Treasury and the Kenya Revenue Authority to reconcile the amounts the Corporation owes both the parent Ministry and the Kenya Revenue Authority, and the amounts the parent Ministry owes the Corporation.

The Committee further recommends that the Chief Executive should liaise with the Treasury and the Parent Ministry to ensure that amount owing to the Corporation of Kshs. 148,517,222.08 is included in the 2000/2001 Financial year Budget.

5. OPERATIONS OF THE CORPORATION

During the year under review, the Corporation made a net loss of Kshs. 413,250,580.00 as compared to a net profit of Kshs. 8,647,600 the previous year. From the accounts, much of this loss, about Kshs. 147,005,400 was from activities which ordinarily should have shown profits even with a little bit of business acumen. The Management has not given reasons why the Corporation run those main areas at a loss

during the year under review.

A further glaring contribution to this big loss was the bank charges and interests levied by the banks of Kshs. 135,446,760 as compared to Kshs. 32,556,660 the previous year. Much of this charge was as a result of unauthorized bank overdrafts drawn by the Corporation as well as charges on letters of credit opened and passed to third parties, who in most cases did not honour the supplies and when honoured were at exceptionally high prices.

Further contribution towards the high losses for the year would also have been as a result of breakdown in internal controls in various depots. A case in point, is losses or shortages of stores in Kisumu depot where 33 bags of sugar, 125 bags of cement and a number of pints of paint were found missing. The management had promised to investigate the losses but I had not seen the report on this investigation as at the date of this report.

The Committee heard the evidence given by the Chief Executive and was informed that:-

(i) The Corporation made a loss of Kshs. 143,384,560 in respect of trading loss as a result of in-judicious procurement of major trading commodities due to external pressure from Mr. Hoseah Kiplagat and the then Minister for Commerce and Industry Mr. Kirugi M'Mukindia. The stocks were procured through third parties using letters of credit at prices that were over and above the market prices.

(ii) The Corporation lost an amount of Kshs. 77,737,640 through fraud by staff in the coffee department of the Corporation who conducted coffee business through their own companies and that with a reorganised Audit Department, investigations by C.I.D is bearing fruits.

(iii) Imprudent use of bank facilities for the supply of trading stocks resulted in high bank charges of Kshs. 135,446,760.

The Committee was further informed that in order to correct anomalies, the Corporation retrenched over 450 members of staff and reduced depots to only 16, thereby creating a good environment for internal control in the depots.

With regard to loss of stocks in Kisumu Depot, the Committee heard that culprits namely Messrs John Ogeno, Onywere, William Wandera and Otwori were charged with the offence and the Corporation recovered the value of the stocks from the terminal benefits of the concerned employees.

The Committee was concerned to note that the Corporation made a net loss of Kshs. 413,250,580 in the year under review due imprudent management and lack of internal controls.

The Committee was further concerned that the then Minister for Commerce and Industry, Mr. Kirugi M'Mukindia and Mr. Hosea Kiplagat exerted undue pressure

on the then Managing Director, Mr. D.K. Tirop into purchasing commodities from third parties who included M/s Bell Chemicals and Trade Wings Ltd.

The Committee therefore reiterates its earlier recommendations under paragraph 4 of the 1993/94 accounts, Eighth Report that:-

(i) The then Managing Director, Mr. D.K. Tirop should be banned from holding any public office conferred by the Republic of Kenya.

(ii) The Attorney-General in conjunction with the Corporation should institute further investigations into the irregular purchase of sugar, Bicycles, Sewing Machines and chemicals with a view to instituting criminal proceedings against those involved in the irregular procurement of the above said items.

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

The Committee further recommends that:-

(i) The Chief Executive should ensure that better internal controls are put in place in all the depots to stem irregularities.

(ii) The suspects in respect of Coffee Trade loss of Kshs.77,737,640 should be identified and prosecuted.

(iii) The Director of Kenya Anti-Corruption Authority should investigate the activities of *Mr. Hosea Kiplagat;* the then Minister for Commerce and Industry, *Mr. Kirugi M'Mukindia. ;* the then Managing Director *Mr. P.K. Tirop;* the then Chairman of the Board of Directors *Mr. S.K. Kanyingi; M/s Bell Chemicals and M/s Trade Wings Ltd* in the above irregular procurement of goods which led to a loss of Kshs.143,384,560.

KENYA WILDLIFE SERVICE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA WILDLIFE SERVICE FOR THE YEAR ENDED 30TH JUNE, 1996

1. CASH AND BANK BALANCES

Included in the Balance Sheet Cash and Bank Balances figure of Kshs.84,398,000 are the following amounts on which I was unable to carry out audit procedures sufficient to satisfy myself as to the accuracy or otherwise due to a breakdown in the reconciliation process during the year:-

	Balance (Kshs)
Petty Cash (Net)	7,732,000
Cash in Transit	9,820,000
Operating Bank Account (Net) excluding KWS HQ Main Operating account	12,235,000
Unbanked Cash	4,534,000
Total	**Kshs. 34,321,000**

In the circumstances, I am not able to express an opinion on the reliability of the figure of Kshs.84,398,000 appearing in the Balance Sheet as Cash and Bank Balances.

The Committee heard the evidence given by the Chief Executive that a figure of Kshs.84,398,000 included in the Balance Sheet cash and bank balances was in respect of various accounts which the auditors were unable to audit due to a breakdown in the reconciliation process in the year under review.

The Committee was informed that the breakdown in the reconciliation had been caused by an introduction of a new computerized commercial accounting system which however was dogged by implementation problems like late receipt of computer hardware and software from donor, and insufficient time to train staff to adequately handle the new accounting system.

The Committee was also informed that the accounts involved which have since been cleared with the auditors were:-

(i) **Petty cash - Kshs.7,732,000**

The petty cash balance at the time of audit was Kshs.7,732,000 and out of this figure, an amount of Kshs.4,691,000 was isolated as mispostings after reconciliation and the errors corrected in 1996/97 financial year.

(ii) **Cash in Transit - Kshs.9,820,000**

Out of this balance, amount of Kshs.4,691,000 was identified as mispostings and found that it did not represent any cash in transit. The errors were subsequently corrected in the 1996/97 Financial Year.

(iii) **Operating Bank Accounts in Field Offices - Kshs.12,235,000.**

Out of this balance, an amount of Kshs.7,654,000 was identified as mispostings and the errors subsequently corrected in the 1996/97 financial year.

(iv) **Unbanked Cash - Kshs.4,534,000**

Out of this balance an amount of Kshs.3,415,000 was identified as mispostings, while Kshs.1,119,000 was found to be the correct unbanked cash balance. The errors were corrected in the 1996/97 financial year.

The Committee noted that to address the problem of backlog in data processing and a breakdown in the reconciliations, the Corporation employed more efficient accounting staff and acquired additional computers.

The Committee recommends that the Chief executive should institute strict financial controls in the Accounts Department and ensure observance of prudent accounting practices.

2. BUDGETARY CONTROL

Some items of revenue and expenditure which had not been budgeted were noted in the Statement of Income and Expenditure for the year. In particular 6 items of income against which amounts totalling Kshs.35,597,275 were received had been omitted from the budget while 14 expenditure items totalling Kshs.116,488,100 had also been omitted.

It was further noted that due to inadequate control there were material variances between some Budgeted and Actual figures of income and expenditure. These ranged between 16% and 179% of budgeted figures. There was no evidence of appropriate authorization of such large variations from approved estimates.

In view of the foregoing weaknesses with regard to use of budgeting as a management tool for steering the operations of the organisation, I am not able to confirm that all the amount received and expended by the Service in the year under review are duly covered by regulations governing the management of its finances. The Kenya Wildlife Service, however, envisages an improved position in future with the introduction of a Planning Unit.

The Committee heard the evidence given by the Chief Executive that the Corporation collected revenue amounting to Kshs.35,597,275 and expended an amount of Kshs.116,488,1000 on items for which no budget had been made.

The Committee further heard that:-

(i) The items had been inadvertently omitted from the budget and the omission was not detected during the financial year under review due to reconciliations breakdown.

(ii) The over-expenditure and the non-budgeting of the expected revenue was not brought to the attention of the Board of Management nor was the Board's authority sought.

(iii) There was material variances between some budgeted and actual figures of income and expenditure which were not detected during the year under review nor were they submitted to the Board for approval.

The Committee deplored the Corporation's deliberate move to incur expenses without recourse to the Board for approval and with total disregard of its budgetary provisions.

The Committee reiterates its earlier recommendation under paragraph 3 of the 1994/95 accounts (Eighth Report) that:-

(i) The then Chief Executive, Dr. David Western and the former Financial Controller Mr. P.M. Kagiri should be held responsible for the irregular expenditure during the year under review.

(ii) The Chief Executive should in future ensure that prudent budgetary and accounting practices are observed.

3. IMPREST

Outstanding imprests as per general ledger amounted to Kshs.16,767,604 as at 30th June, 1996. Schedules of imprest holders produced in support of this figure showed that Kshs.20,420,157 was outstanding against known members of staff, Kshs.1,600,485 was outstanding against unidentified members of staff, and that Kshs.5,253,038 was owed to members of staff whose imprest accounts balances

were in credit. It was noted that nine of such members of staff were owed amounts ranging between Kshs.100,000 and Kshs.1,204,000 each.

However, primary documents supporting the balances reflected in the schedules have not been produced for audit verification. In the circumstances, I am not able to confirm the correctness of the Ksh.16,767,604 net imprests figure indicated in the accounts to be outstanding as at 30th June, 1996.

Further, for the purpose of the accounts the total imprest of Kshs.16,767,604 which could not be supported was fully provided for (100%). No satisfactory explanation has been given to justify this action and considering that at least Kshs.6,133,000 of the outstanding amount was issued within the year and should present no difficulty in accounting for it.

The Committee heard the evidence given by the Chief Executive that the outstanding imprests figure of Kshs.16,767,604 as at 30th June, 1996 had not been fully reconciled at the completion of audit for the year under review.

The Committee further heard that subsequent reconciliations and recoveries have reduced the amount outstanding to Kshs.2,290,805 as at 30th June, 1999 and that accordingly the 100% provision of Kshs.16,767,604 has been reviewed and will be cleared from the books during the 1998/99 financial year.

The Committee recommends that the Chief Executive should recover the outstanding amount of Kshs2,290,805 by 30th September, 2000.

The Committee further recommends that Chief Executive should in future ensure that the rules and regulations governing the issuance and surrender of imprests are strictly adhered to.

4. STAFF MEDICAL DEBTORS

Kenya Wildlife Service operates a staff medical scheme whereby it settles in-patient bills for members of staff with a view to making recoveries through payroll. It was, however, noted that there is no upper limit with regard to maximum amount that the Service pays for any employee, and that the highest amount recovered from any one employee in the year was only Kshs.6,000.

As at 30th June, 1996 Kshs.14 million was outstanding on account of the advances, significant portion of the amount being balances brought forward. The Service has made 100% provision in the accounts on the basis that the advances were unrecoverable.

However considering that most of the recipients of the medical advances are still in service and that non-recovery arose from the organisation's own break down in accounting procedures, I consider a provision of 100% for bad debts excessive.

Further, competent authorities approving the establishment of the medical scheme and defining modalities for its operation have not been produced for audit verification. Consequently, I am not able to confirm the legality of its operation.

The Committee heard the evidence given by the Chief Executive and was informed that the staff medical scheme put in place by the Corporation in 1991 had no upper limit for certain categories of Staff in respect of in-patient medical cases and that although the expenses incurred were to be recovered through payroll such recoveries have been slow leading to an outstanding debt of Kshs.14 million as at 30th June, 1996.

The Committee was further informed that:-

(i) The 100% provision of Kshs.14 million as doubtful debts at the time of audit was not prudent.

(ii) The recovery rate was increased in 1997 following reviewing and improvement of recovery rate and that the outstanding balance on staff medical advances stood at Kshs.8,944,997 including new cases as at 30th June, 1999.

(iii) A revised medical scheme which sets limits has been put in place.

The Committee recommends that the Chief Executive should ensure that all the outstanding balance amounting to Kshs.8,944,997 is recovered in full.

KENYA WILDLIFE SERVICE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA WILDLIFE SERVICE FOR THE YEAR ENDED 30TH JUNE, 1997

1. BUDGETARY CONTROL

In my previous year's report I expressed concern at the fact that the Service did not have adequate budgetary controls. There were still material variances between budgetary provisions and actual expenditure ranging from 17% to over 1000% in as many as 13 items of expenditure.

The Committee heard the evidence given by the Chief Executive and was informed that the service still had material variances between budgetary provisions and actual income and expenditure ranging from 17% to over 1000% in as many as 13 items of expenditure.

The Committee was further informed that:-

(i) The Corporation over-collected revenue amounting to Kshs.15,940,000 in respect of accommodation facilities and Beach management fees due to under provision in the budget and a further Kshs.3,656,000 in respect of miscellaneous income attributed to insurance claim received during the year under review.

(ii) The Corporation incurred an over-expenditure of Kshs.145,882,000 without the necessary authority as required by law on the following items:-

Item	Budget figure	Actual	Variances	%
Wildlife protection supplies	1,300	2,541	1,241	95
Aircraft usage	1,000	2,307	1,307	131
Maintenance of Wildlife	700	10,182	9,482	1,355
Maintenance Aircraft	13,600	22,953	9,353	69
Building Maintenance	12,900	15,191	2,291	18
Telephone	20,000	24,429	4,429	22

Public Relations	39,900	51,608	11,708	29
Financial charges	10,500	19,661	9,161	87
Community service	32,000	128,910	96,910	303

The Committee heard that the variances were not submitted to the Board for approval and that the matter will be submitted to the Board for necessary action in due course.

The Committee noted with concern that the Corporation overspent excessively with total disregard of their budgetary provisions and failed with impunity to seek prior or retrospective approval from the relevant authorities as required by the law.

The Committee reiterates its earlier recommendation under paragraph 3 of the 1994/95 accounts (Eighth Report) that:-

(i) The then Chief Executive, Dr. David Western and the former Financial Controller, Mr. P.M. Kagiri should be held responsible for the irregular expenditure during the year under review.

(ii) The Chief Executive should in future ensure that prudent budgetary and accounting practices are observed.

2. IMPREST

In the previous year's report it was pointed out that the imprest account in the general ledger was not reconciled to imprest returns and registers. The correctness of imprest balance of Kshs.16,767,604 was in doubt although a provision for the whole amount was made in the accounts for that year. The imprests outstanding as at 30th June, 1999 amounted to Kshs.19,101,000 and although no additional provision was made in these accounts, the amount provided for in the previous year still remains unsubstantiated and possibly unrealistic.

The Committee heard the evidence given by the Chief Executive and was informed that the balances of the imprest account amounting to Kshs.16,767,604 in the previous year's report had not been fully reconciled at the completion of the audit for the year under review.

The Committee was further informed that:-

(i) Subsequent recoveries and reconciliations have reduced the outstanding imprest to Kshs.2,290,805 as at 30th June, 1999.

(ii) **Due to the reduction of the outstanding imprest, the 100% provision of Kshs.16,767,604 has since been reviewed and is awaiting verification by the Auditors during the audit of the 1998/99 accounts.**

The Committee reiterates its earlier recommendations under paragraph 3 of the 1995/96 accounts that:-

(i) **The Chief Executive should recover the outstanding amount of Kshs.2,290,805 by 30th September, 2000.**

(ii) **The Chief Executive should in future ensure that the rules and regulations governing the issuance and surrender of imprests are strictly adhered to.**

3. STAFF MEDICAL DEBTORS

The staff medical advances totalled Kshs.19.2 million compared with Kshs.14 million as at 30th June, 1996. However Kshs.14 million was provided for in the accounts in previous financial year leaving balance of Kshs.5.2 million as at 30th June, 1997. The pay roll records are not in harmony with finance records as they reflect a receivable of Kshs. 8.6 million.

The Committee heard the evidence given by the Chief Executive and was informed that the staff medical scheme of the service established in 1991 had no upper limit for certain categories of staff in respect of in-patient medical cases.

The Committee was further informed that:-

(i) **Although the expenses incurred from medical bills were to be recovered through payroll, such recoveries have been slow leading to an outstanding debt of Kshs.14 million as at 30th June, 1996.**

(ii) **The 100% provision of Kshs.14 million as doubtful debts was retained in the year under review because the recovery rate had not been enhanced and that a revised medical scheme which sets limits has since been put in place and recovery procedures reviewed and improved.**

(iii) **The outstanding balance on staff medical advances stood at Kshs.8,944,997 including new cases as at 30th June, 1999 and that 100% provision of Kshs.14 million has been reviewed.**

The Committee noted that the payroll records (registers) which were not in harmony with the General ledger with regard to staff medical advances have since been reconciled.

The Committee therefore reiterates its earlier recommendation under paragraph 4 of the 1995/96 accounts that the Chief Executive should ensure that all the outstanding balance amounting to Kshs.8,944,997 is fully recovered in full.

AGRICULTURAL FINANCE CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF AGENCY SEASONAL CROP CREDIT FOR THE YEAR ENDED 30TH JUNE, 1996

1. LOAN REPAYMENT

As reported the previous year, the Agency was unable to service the principal loans advanced to it of Kshs.728,308,997 from Cereals and Sugar Finance Corporation. While the principal loan of Kshs.728,308,997 has remained stagnant over a number of years, the interest on the same loan, which again was not serviced during the year keeps on increasing and the balance as at 30th June, 1996 was Kshs.2,964,576,701 as compared to Kshs.2,571,851,812 as at 30th June, 1995.

1.1. The Agency was not also able to repay the interest of Kshs.38,753,378 owed for some years to the Ministry of Agriculture. I am informed that the Agency could not collect an amount of Kshs.617,172,866 due from farmers as a result of a government directive issued in 1989 that "GMR loans and 1984 seasonal crop credit loans be written off". Arising from this directive, the agency does not accrue interest on these loans from farmers but accrues interest on the same money which it owes to Cereals and Sugar Finance Corporation. I have not been advised why the Government directive did not also affect the loans from Cereals and Sugar Finance Corporation as non recovery from farmers will mean inability of the agency to service the loans.

1.2 Included in the figure of Kshs.728,308,997 owed to Cereals and Sugar Finance Corporation by the agency is an amount which Agricultural Finance Corporation borrowed from the agency and which amounted to Kshs.631,364,431 together with accrued interest and of which Agricultural Finance Corporation has not been able to repay back due to the anticipated restructuring scheme involving the Agency and Agricultural Finance Corporation. The restructuring scheme consultancy of 1989 has not been approved by the Government and hence the continued inactivity of the agency.

The Committee heard the evidence given by the Chief Executive that the Corporation used to be advanced funds by Cereals and Sugar Finance Corporation which were then on-lend to farmers for production of maize and wheat under the Guaranteed Minimum Returns Scheme (GMR) (1942-1978) and the Agency Seasonal Crop Credit Scheme (1980-1984).

The Committee was informed that:-

(i) The GMR Scheme was discontinued in 1978 when the Central Agricultural Board failed to meet accumulated approved claims thus leaving funds obtained from Cereals and Sugar Finance Corporation unpaid.

(ii) Due to drought experienced during 1984, farmers could not service their loans leading to the Corporation (Agricultural Finance Corporation) being

unable to service the loans obtained from Cereals and Sugar Finance Corporation.

(iii) The Government, in 1989, directed the Corporation to write off all the outstanding GMR loans and the 1984 Seasonal Crop Credit loans amounting to Kshs.617,172,866.

The Government further directed that the Corporation should undergo restructuring.

The Committee was further informed that the Corporation did not service the accumulated interest of K£67,080,920 on account of both irredeemable and redeemable loans as well as on Seasonal Crop Credit loan of K£17,900,000 which has been outstanding since 1989 due to:-

(i) The restructuring of the Corporation which was to entail the conversion of some redeemable loans into equity and others into Government grants.

(ii) The balance of the redeemable loans which was to have its repayment rescheduled.

(iii) The non-payment of these loans in the anticipation that the restructuring recommendations would be approved.

The Committee noted that since 1989 the Corporation has been servicing the loans obtained from Cereals and Sugar Finance Corporation which were not subject to the restructuring process.

The Committee noted further with concern that even though recommendations of the restructuring studies were submitted to the Government in 1990, no action has been taken to date.

The Committee therefore recommends that the parent Ministry and the Treasury should expedite the evaluation of the recommendations submitted and ensure that restructuring of the Corporation is finalised by 31st December, 2000.

AGRICULTURAL FINANCE CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF AGRICULTURAL FINANCE CORPORATION FOR THE YEAR ENDED 30TH JUNE, 1997

1. AVOIDABLE EXPENDITURE - KSHS.16,892,119

Information available indicates that in March 1985, an Investment Company applied for and was granted a loan of Kshs.6,000,000 by the Agricultural Finance Corporation against a title document of land owned by the Company.

Further, in September 1986 and July 1987 the Corporation advanced a total of Kshs.4,760,000 to two directors of the same Company in their personal capacities against 3 title documents belonging to the Company. This is contrary to Section 20 of AFC Act (Cap 323) which prohibits the Corporation from raising a notification of charges in respect of land owned by anybody other than the registered owner.

In 1991, the Company asked the Corporation to temporarily release the title documents (3 in all) it was holding to enable the Company sell a portion of the land and repay the loan of Kshs.6,000,000 but the request was not granted. On December, 7th 1992, the Corporation was ordered by the court to release all 3 title documents but it only released one and kept the other two even after the loan of Kshs.6,000,000 had been repaid in full on 9th September 1993. It took another court order on April 14th 1994 to release the other two documents.

As a result of the irregular retention of Company title documents as security for the private loans, the Corporation paid damages to the Company and legal fees totalling Kshs.16,892,119 arrived at as follows:

	Kshs.
General damages, loss of farming and rent	12,331,954
	4,560,165
	16,892,119

In view of the above, the expenditure of Kshs.16,892,119 paid as damages and legal fees now included in the Corporation's accounts for the year under review is not, in my opinion, a proper charge to public funds as it could have been avoided had the Corporation followed the proper procedures.

The Committee heard the evidence given by the Chief Executive that:-

(i) In 1985, the Corporation granted a loan of Kshs.6,000,000 to an investment company against a title document of land owned by the company.

(ii) In September 1986 and July 1987, the Corporation advanced a total of

Kshs.4,760,000 to two directors of the same company in their personal capacities against 3 title documents belonging to the company.

(iii) In 1992, the Corporation was ordered by the court to release all the 3 title documents but only released one and retained the other two even after the loan of Kshs.6,000,000 had been repaid in full on 9th September, 1993.

The Committee was informed that the Corporation used extra judicial methods to enforce the debt against the directors personally on realising that the directors were trying to use the concept of limited liability to evade payment of the debt.

The Committee was further informed that the retention of the securities by the corporation was not irregular as it was a loan collection strategy.

The Committee observed that:-

(i) The Corporation irregularly advanced loans to directors of the M/s Muturi Investment Company in their personal capacities against title documents belonging to the company contrary to section 20 of the Corporation's Act (Cap 323).

(ii) The irregular retention of the Company title documents despite the court order caused the Corporation to incur an expenditure of Kshs.16,892 in respect of paid damages to the Company and legal fees which could have been avoided had the corporation followed the proper procedures.

The Committee recommends that the Chief Executive should strictly adhere to the provisions of Section 20 of the Corporation's Act (Cap 323) when advancing loans to avoid a recurrence of similar circumstances.

2. MOTOR VEHICLE SPARES AND REPAIRS

During the year under review, the Corporation incurred an expenditure of Kshs.30,033,961 in purchasing spare parts and repairing its motor vehicles as follows:-

	Kshs.
Purchase of spares/repairs	28,814,491
Direct repairs of vehicles	1,219,470
	30,033,961

The examination of records relating to this expenditure indicated that open competitive tenders/quotations were not invited and it is not to clear how the single supplier of the spares and the garages which undertook the repairs were identified. Further, some of the local purchase orders issued by the Corporation when purchasing the spares did not indicate the number of the vehicle for which such spares were fitted and consequently, Iam unable to confirm that the spares were fitted in the Corporation vehicles. I did not also see the stock cards for these spare parts. Arising from the above, I am unable to confirm the propriety of the expenditure of Kshs.30,033,961 incurred in procuring spare

parts and repairing the Corporation vehicles during the year under review.

The Committee heard the evidence given by the Chief Executive that the Corporation incurred an expenditure of Kshs.30,033,961 in purchasing spare parts and repairing its motor vehicles during the year under review.

The Committee observed that:-

(i) The Corporation did not invite open competitive tenders for the supply of the spare parts and repairs.

(ii) Some of the local purchase orders issued by the Corporation when purchasing the spares did not indicate the Registration Numbers of the vehicles for which such spares were fitted.

(iii) The stock cards for the spare parts were not produced to the Auditor General (Corporations) during the audit exercise for verification.

The Committee was however concerned that vehicle No.KAA 906M belonging to the Corporation had civilian registration number contrary to the regulations in force.

The Committee recommends that the Chief Executive should adhere to the laid down financial regulations with regard to procurement of goods and services through open tendering and stop single sourcing.

The Committee further recommends that the Chief Executive should ensure that all relevant supporting documents are made available to the Auditor General (Corporations) during audit exercise pursuant to the Exchequer and Audit Act (Cap 412).

The Committee also recommends that:-

(i) The vehicle Registration No.KAA 906M should be registered in blue number plate in accordance with the State Corporations vehicles' regulations.

(ii) In view of the fact that the Corporation spent Kshs.30,033,961 on repairs in the year under review, the Corporation should put in place a vehicle replacement scheme to address the issue of replacement of old vehicles.

3. STAFF PENSION FUND

The Corporation for a number of years has been running a staff pension fund scheme which was being managed by the Kenya National Assurance Company (now in liquidation). As at 30 June 1997, the pension fund as per the court award stood at Kshs.64,821,930. When Kenya National Assurance Company being put in liquidation, the Corporation took over the management of the pension scheme. However, I have not

seen correspondence to show when this balance of Kshs.64,821,930 will be paid to the Corporation by the liquidators of Kenya National Assurance Company. Further, the Balance Sheet cash and bank balance figure of Kshs.28,193,254 and fixed deposits of Kshs.569,502,000 excluded staff pension fund. Such funds as at 30 June 1998 amounted to Kshs.55,000,000 in fixed deposits and Kshs.6,762,665 in current account both in a bank now placed under Central Bank Management. Although the Corporation has been managing the Pension Fund on behalf of the pensioners for a number of years, the pension funds are not reflected in the Corporation's accounts. No Audited accounts of the fund have also been seen. Consequently, I am not in a position to confirm that the pensioners' funds are secure.

Further, I have not seen any authority allowing the Corporation to invest the above amount in the relatively new bank.

The Committee heard the evidence given by the Chief Executive that Kenya National Assurance Company (in-liquidation) had been managing the Corporation's staff Pension Fund scheme which stood at Kshs.64,821,930 as at 30th June 1997 as per the court order.

The Committee was informed that:-

(i) The Corporation took over the management of the pension scheme when the said company was put under liquidation.

(ii) The Corporation invested Kshs.55,000,000 in fixed deposit and Kshs.6,762,665 in current account both in Trust Bank Ltd which was later placed under Central Bank management.

(iii) The Corporation has not been treating the Pension Fund as part of its funds hence the exclusion of the Pension Fund from the Corporation's Cash and Bank balance figure and the fixed deposits.

The Committee observed that:-

(i) The pension funds appears insecure due to the non-reflection of the Funds in the Corporation's accounts and the absence of audited accounts of the pension fund.

(ii) The recovery of Kshs.64,821,930 from Kenya National Assurance remains doubtful in the absence of correspondence from the liquidators to that effect.

The Committee recommends that the Chief Executive should pursue the liquidator of Kenya National Assurance company with a view to recovering Kshs.64,821,930 in full.

The Committee further recommends that the Chief Executive should ensure that the Pension Scheme is administered under the Retirement Benefits Act.

4. DEBTORS

4.1 As reported in the previous year, the Balance Sheet debtors figure includes an amount of Kshs.35,630,479 being an original deposit of Kshs.16,350,000 and interest of Kshs.19,280,479 due from a building society. Although the deposit matured in 1989, the Corporation has not been able to recover the amount which is subject to a court case. The society is seeking court orders to restrain the Corporation from disposing of the property pledged as security while the Corporation has filed a counter suit. Available information indicate that the building society was put under liquidation in March 1997 and a liquidator appointed. I am also informed that the liquidator has already invited bids for the purchase of one of the properties charged to AFC but I have not seen the outcome of this action as at the time of signing this report. Until the sale of the property is finalised, I am unable to express an opinion on the recoverability of the above debt.

4.2 Further, the debtors figure of Kshs.83,212,898 includes an amount of Kshs.4,888,266 whose nature was not explained during the audit.

Consequently, I am unable to confirm the correctness of the Balance Sheet debtors figure of Kshs.83,212,898.

The Committee heard the evidence given by the Chief Executive that:-

(i) The balance sheet figure includes amount of Kshs.35,630,479 due from Agrarian Building Society (in-liquidation) which matured in 1989 but not recovered to-date because the amount is subject to a court case.

(ii) The debtors figure includes an amount of Kshs.4,888,266 whose nature was not explained to the Auditor-General (Corporations) during the audit exercise.

The Committee was informed that the Corporation had received an under taking from the Official Receiver of the said society to pay Kshs.57 million upon the completion of the sale of the security land.

The Committee was further informed that an amount of Kshs.4,888,266 is a suspense account item caused by partial posting which was being investigated and cleared on a continuous basis.

The Committee recommends that the Chief Executive should pursue the Official Receiver with a view to recovering Kshs.57 million in full.

The Committee further recommends that the Chief Executive should ensure that debit and credit imbalances are reconciled promptly with a view to clearing the suspense account.

5. LOANS ARREARS TO FARMERS

The situation with regard to the recoverability of loans from farmers for three schemes as analyzed in notes 4, 5 and 6 to the accounts remained as reported in the previous year. The balance of loans and interest as ta 30 June, 1997 stood at Kshs.2,208,879,100 compared to a balance of Kshs.2,068,557,520 outstanding as at 30 June 1996. The provision for bad and doubtful debts of Kshs.468,377,960 made int he accounts would suggest that a substantial portion of these loans may have to be written off. As reported earlier, the trend of loan repayment arrears unless seriously addressed is likely to adversely affect the operations of the Corporation.

The Committee heard the evidence given by the Chief Executive that loan arrears to farmers from three schemes and interest accrued thereon stood at Kshs.2,208,879,100 as at 30th June, 1997.

The Committee was informed that the collectability of loans from the three schemes deteriorated as farmers financial conditions were sharply reversed by the following:-

(i) Increased inflation rates, high interest rates and operating expenses, fluctuation in prices of major commodities, increased foreign competitions and the collapse of asset values.

(ii) The abrupt introduction of liberalisation of marketing of farm commodities led to the collapse of the Corporation's long standing collection systems arrangement with the marketing bodies.

(iii) Weather related events particularly El-nino and draught which retarded growth of both livestock and crops thereby resulting in reduced farm incomes throughout the country.

(iv) Ethnic clashes and banditry that have continue to displace many farming families thereby causing disruption of farming operations and incomes.

The Committee observed that an amount of Kshs.468,377,960 provided for by Corporations in its accounts as bad and doubtful debts reflects that a substantial portion of these loans may have to be written off.

The Committee further observed that the operations of the Corporation was likely to be adversely affected if the Corporation does not address the trend of loan repayment arrears seriously.

The Committee recommends that the Chief Executive should improve the Corporation's debt recovery machinery and recover all the outstanding loans from farmers in full as per the loans' agreements.

6. REDEEMABLE LOANS

As reported in the previous year the Corporation was not able to service any portion of the redeemable loan of Kshs.1,409,603,380 most of which had fallen due from 1989 including the portion for the year under review. Similarly, the Corporation did not service the accumulated interest of Kshs.1,479,981,345 on account of both irredeemable and seasonal credit loans of Kshs.1,767,603,380 some of which have been outstanding since 1989. Furthermore, the Corporation's operations during the year ended with a deficit of Kshs.136,163,000. All this taken into account indicate that the Corporation is technically insolvent.

The Committee heard the evidence given by the Chief Executive that the Corporation did not service any portion of the redeemable loan of Kshs.1,409,603,380 which had fallen due from 1989.

The Committee further heard that the Corporation did not service the accumulated interest of Kshs.1,479,981,345 on account of both irredeemable and seasonal credit loans of Kshs.1,767,603,380 some of which have been outstanding since 1989.

The Committee was informed that following the Government directive in 1989 that the Corporation be restructured, the non-payment of these loans by the Corporation has been in the anticipation that the restructuring recommendations would be approved by the Government.

The Committee was further informed that the restructuring was to entail the conversion of some of the redeemable loans into equity or Government grants and the rescheduling of the repayment of the balance.

The Committee observed that the inability of the Corporation to service its loans and the posting of a deficit of Kshs.136,163,000 during the year under review reflected that the Corporation was technically insolvent.

The Committee reiterates its earlier recommendation under paragraph 3 of 1995/96 accounts (Eighth Report) that the parent ministry and Treasury should ensure that the restructuring of the Corporation is finalised.

7. RESTRUCTURING

As previously reported, the Government through the Agricultural Finance Corporation engaged consultants to make recommendations on restructuring of the Corporation's Balance Sheet as at 30 June 1989. The restructuring was aimed at, among other measures, eliminating from the recoverability was doubtful and similarly eliminating from the Balance Sheet corresponding liabilities owed by the Corporation and converting some of them into equity capital or Government grants. Although the recommendations for the restructuring were subject to the approval of the Government, I have not seen the approval of the Government at the time of signing this report. Consequently, I am unable to state how the Balance Sheet will alter after the restructuring.

The Committee heard the evidence given by the Chief Executive that the Government through the Corporation engaged a consultant to make recommendations on the restructuring of the Corporations Balance Sheet as at 30th June, 1989.

The Committee was informed that:-

(i) The restructuring was to include the elimination from the Balance Sheet, loans and debts whose recoverability were doubtful and converting some of the liability into equity or grants.

(ii) The restructuring recommendations were subject to Government approval which has not been received to date despite several follow-ups by the Corporation including updating the recommendations due to lapse of time and changed circumstances.

The Committee observed that:-

(i) Although the recommendations of the restructuring study was submitted to the Government in 1990, it has taken the Government unnecessarily long to implement the same.

(ii) The delay in implementing the recommendations have hampered the operations of the Corporation.

(iii) Although the matter was dealt with by the previous Committee and an appropriate recommendations made in the Fourth, Fifth, Seventh and Eighth Reports of the Public Investments Committee, the issue has not been resolved todate.

The Committee reiterates its earlier recommendations under paragraph 1 of 1995/96 Accounts (Eighth Report) that both the parent Ministry and Treasury should expedite the evaluation of the recommendations submitted and ensure the restructuring of the Corporation is finalised. The Committee further recommends that the restructuring exercise should be completed by 31st December, 2000.

8. SHORT TERM DEPOSITS KSHS.569,502,000

Included in the short term deposits shown in the Balance Sheet is an amount of Kshs.120,403,507.10 invested in a private commercial bank. I was not shown authority from the relevant Ministry which allowed the Corporation to invest this amount in the relatively new bank. Further, I did not also see the necessary deposit certificates for all these fixed deposits for verification.

The Committee heard the evidence given by the Chief Executive that the short term deposits figure included an amount of Kshs.120,403,507.10 invested in Trust Bank.

The Committee was informed that due to the seasonal nature of the farming activities, the Corporation has been investing funds in short term interest earning instruments with banks and recalling the same when loans are being processed for disbursements.

The Committee noted that:-

(i) The Corporation invested the money in Trust Bank without authority contrary to the Treasury circular No. 10 of 1992.

(ii) The supportive fixed deposit certificates were not produced to the Auditor General (Corporations) during audit exercise for verification.

The Committee recommends that the Chief Executive should adhere to the Treasury regulations with regard to the investment of surplus funds.

The Committee further recommends that the Chief Executive should ensure that all relevant supporting documents are produced to the Auditor General (Corporations) during audit exercise pursuant to the Exchequer and Audit Act (Cap 412).

NYAYO TEA ZONES DEVELOPMENT CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NYAYO TEA ZONES DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30TH JUNE, 1994

1. ESTABLISHMENT COST -KSh.301,928,510

In my report for the year 1992/93 I made reference to an amount of Kshs.317,819,484 being establishment cost which did not include the value of land on which the tea was established. In the year under review the Balance Sheet establishment cost of Kshs.301,928,510 did not, again include the value of land.

Although the tea is established on Government land, I have no information as to the understanding between the Corporation and the Government over the land on which the tea is established. In the circumstances, I am unable to express an opinion as to whether the balance Sheet after amortization of Kshs.15,890,974 is a fair value of the tea farms established by the Corporation.

The Committee heard the evidence given by the Chief Executive that an amount of Kshs.301,928,510 in respect of the Establishment Cost does not include the value of land on which the tea bushes are established.

The Committee was informed that:

(i) The zones were to be created as part of the forests without excision according to the legal Notice No.265 of 1986 which established the Corporation.

(ii) The establishment cost is not inclusive of the value of land because the land where tea is planted still remains part of the Government gazetted forests.

(iii) The Legal notice establishing the Corporation is being amended to enable the Corporation own land under its use in line with the Government current requirement to all state corporations to obtain title documents for land under their use.

The Committee noted with concern that:-

(i) Nyayo Tea Zones are established on both Government and Trust Land.

(ii) The Corporation has deviated from its original purpose of creating forest buffer zones by excising and selling off the tea zones. E.g. Kericho Tea zone has been sold to multipurpose Rural Co-operative Project.

(iii) Despite the original objective of providing buffer zones to the forests, the forest have continued to be destroyed.

The Committee further noted that despite the recommendations of the Public Investments committee in the Eighth Report and the resolution of the House that the Corporation be degazetted, the Corporation has continued to operate *ultra vires* its objectives and against the Resolution of the House.

The Committee reiterates its earlier recommendations under paragraph 1 of 1992/93 accounts (Eighth Report) that:-

(i) The Corporation should be degazetted since it has failed to achieve its objectives and deviated from the original purpose.

(ii) The land where tea is planted and the tea bushes thereon should revert to the Local Authorities.

The Committee further recommends that the Corporation should be wound up by 31st December, 2001.

2. UNSUPPORTED EXPENDITURE

In 1992/93 I reported that Kshs.7,907,601 out of the unsupported establishment cost of Kshs,80,695,112 had not been accounted for as at 30th June, 1993. A review of the position in 1993/94 revealed that no action has been taken to recover the unaccounted for balance of Kshs.7,907,601 from the officers responsible for the expenditure despite the recommendation by the Public Investments Committee in its 5th Report that the unaccounted for amount be recovered from various officers responsible for the expenditure at the material time.

The Committee heard the evidence given by the Chief Executive that expenditure amounting to Kshs.7,907,601.00 out of the unsupported establishment cost of Kshs.80,695,112.00 was still unaccounted for as at 30th June, 1994.

The Committee was informed that the Corporation had forwarded the details of the District Commissioners who were responsible for the expenditure to the Office of the President to enforce the recovery of the same.

The Committee noted with concern the apparent laxity by both the Corporation and the Office of the President in recovering the money from the concerned District Commissioners.

The Committee reiterates its earlier recommendation under paragraph 2 of 1992/93 accounts (Eighth Report) that the parent Ministry should immediately recover the outstanding amounts of Kshs.7,907,601.00 from the District Commissioners responsible for the expenditure at the material time.

The Committee further recommends that the Director of Kenya Anti-Corruption Authority (KACA) should investigate the following former District Commissioners - *Messrs Joel Waupari, Anthony Oyier, Kehole Muhalule, J. Anguka, J. Sala, P.K. Muruatetu, F. Tilitei, S.K. Limo and P. Genga* with a view to prosecuting them and recover the outstanding amounts.

3. PURCHASE ADVANCES

Included in the "Debtors Advances and Prepayment" figure of Kshs.57,333,204 in the Balance Sheet is Ksh.383,570 advance to certain members of staff for minor purchase for the Corporation's requirements. No schedules or other documents were made available to support the advances figure. In the absence of such schedules and/or documents I am unable to confirm whether the advances figure shown in the accounts were fairly stated.

The Committee heard the evidence given by the Chief Executive that the "Debtors Advances and Prepayment" figure includes Kshs.383,570 advanced to certain members of staff for minor purchases for the Corporation but remained outstanding as at 30th June, 1994.

The Committee was informed that the purchase advances were part of the petty cash that were surrendered either as cash sale receipts or cash where no purchases was made.

The Committee was further informed that efforts have been made to recover the purchase advances as follows:-

As staff creditors	**-**	**123,185.00**	
Amount held by Isaiah Cheluget	**-**	**12,702.00**	
Amount held by deceased employees	**-**	**24,233.00**	**(written off)**
Amount recovered in 1994/95	**-**	**26,264.00**	
Amount recovered from seconded staff	**-**	**53,687.00**	
Amount accounted for in subsequent years	**-**	**143,499.00**	

The Committee made the following observations:-

(i) That despite the Public Investments Committee having made a recommendation in its Eighth Report that the then Executive Chairman of the Corporation Mr. Isaiah Cheluget should pay an amount of Kshs.12,702 and Parliament having resolved that the money be paid, he has defied the resolution of Parliament and refused to pay the said amount.

(ii) That Mr. Isaiah Cheluget, who is currently an Electoral Commissioner, is able to pay Kshs.12,700.20 which has been outstanding for the last fourteen years.

(iii) That the Corporation has made numerous attempts to get the money from Mr. Cheluget in vain.

(iv) That Mr. Isaiah Cheluget therefore abused his office and privilege as the then Executive Chairman of the Nyayo Tea Zones Development Corporation.

The Committee reiterates its earlier recommendation under paragraph 4 of 1992/93 accounts (Eighth Report) that:-

(i) The Chief Executive should strictly adhere to the laid down financial regulations with regard to the issuance and surrender of imprest.

(ii) An amount of Kshs.12,700.20 should be recovered from the then Chief Executive Mr. Isaiah Cheluget.

The Committee further recommends that *Mr. Isaiah Cheluget* should be barred from holding any public office conferred by the Republic of Kenya.

4. CASH AND BANK BALANCES-KSH.23,498,844

Included in the Cash and Bank Balances figure of Kshs.23,498,844 is cash in hand balance of Kshs.230,748. According to the Board of Survey, cash on hand as at 30th June 1994 was Kshs.381,701. No explanation has been given for understating the cash and bank balances by Kshs.150,953. In the circumstances, I am unable to confirm whether the cash and bank balances figure of Kshs.23,498,844 is fairly stated in the balance Sheet.

The Committee heard the evidence given by the Chief Executive that although the Cash and Bank balance figure of Kshs.23,498,844.00 was inclusive of cash in hand balance of Kshs.230,748.00, the Board of Survey revealed that cash on hand was Kshs.381,701.00 as at 30th June 1994 thereby reflecting that the Cash and Bank balances was understated by Kshs.150,953.00.

The Committee was informed that the amount of Kshs.381,701.00 reflected in the Board of survey as cash in hand included an amount of Kshs.150,953.00 which was erroneously treated as cash in hand instead of standing imprest.

The Committee recommends that the Chief Executive should always maintain proper books of accounts reflecting true balances to avoid a recurrence of such book keeping errors.

KENYA TEA DEVELOPMENT AUTHORITY (KTDA)

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

1.0 EXPORT COLLECTION CASH ACCOUNT

1.1. The examination of the export collection account cash books revealed that although the cash books which should in normal accounting reflect debit balances, were overdrawn as indicated below:-

Bank Account Cash Book	Amount of Overdraft Kshs.
Citi Bank	434,919,305
Kenya Commercial Bank	1,568,555,025
Grindlays (Stanbic)	729,906,256
First American Bank	185,115,139

The Authority has not satisfactorily explained the circumstances in which the cash books were overdrawn.

The Committee heard the evidence given by the Chief Executive that the Export Collection Account Cash Books were overdrawn by Kshs.2,918,595,725 due to a new mode of payment of sold teas from payment by cheque to payment by telegraphic transfer which affected timely posting of transactions.

The Committee further heard that the new mode of payment created a scenario where cash receipts were lagging against payments in the cash-books.

The Committee noted that corrective action for unposted transactions which resulted in cash books overdrafts was taken in the subsequent years and that Cash books and bank reconciliation statements have since been availed to the Auditor-General (Corporation) for verification.

The Committee recommends that Chief Executive should ensure that payments are only made against receipts.

1.2. Further examination of the Balance Sheet cash and bank balance figure and the overdrafts in the four banks for the export cash collection account revealed that to arrive at the balances, amounts indicated as in fixed deposit accounts were added after charging advances, commissions and other amounts said to be for factories as indicated below:-

Bank	Cash Book Balance	Amount in Deposit	Less-Advances & Bank Commission	Amount in Balance Sheet
Citi Bank	(434,919,305)	3,250,916,923	2,002,901,417	813,096,202
Kenya Commercial Bank	(1,568,555,025)	(1,213,357,868)	918,159,161	(1,863,753,732)
Grindlays (Stanabic)	(729,906,256)	2,201,422,345	1,392,620,269	78,895,820
First American Bank	(185,115,139)	147,887,307	(213,932,008)	176,704,177

However, deposit certificates or letters of authority and supporting schedules were not produced for audit verification to confirm that there were amounts placed on fixed deposit as indicated. Further, it is not clear how amounts placed on fixed deposits, which in normal circumstances would earn interest, were reduced by advances, commissions and payments whose nature could also not be confirmed because their supporting schedules were similarly not produced for audit verification.

The Committee heard the evidence given by the Chief Executive that letters in respect of bank deposits amounting to Kshs.176,704,177 and supporting schedules to confirm that the amounts were placed on fixed deposit are now available for audit verification.

The Committee further heard that the Corporation maintains two investment registers for Treasury Bills and bank deposits, and that while the Treasury bills register is upto date the updating of bank deposits manual register was discontinued in October, 1994 and started again in July, 1997 when computerisation process was put in place.

The Committee noted that the letters in respect of the bank deposits and the support schedules in question were not availed for verification at the time of audit.

The Committee therefore recommends that the Chief Executive should ensure that all necessary documents are availed to the Auditor-General (Corporations) for verification as and when required.

1.3. A scrutiny of the bank reconciliation statements of the banks for export collection cash account revealed that payments in the bank statement (direct debits) not entered in the cash book totalling Kshs.1,424,688,055 for periods ranging between one year and two years could not be confirmed because they were not supported by bank debit advises or letters of authority.

The Committee heard the evidence given by the Chief Executive that bank debit advices in respect of Kshs.1,424,688,005 which had not been entered in the Cash Book, could not be availed at a time of audit due to lag in posting of payments and receipts caused by introduction of a new mode of payment of sold teas.

The Committee further heard that the problem of non-posting was compounded by the fact that foreign currencies had to be converted to Kenya Shillings before re-posting to cash books.

The Committee noted that both unposted payments and receipts brought about by increase in transactions and lack of timely details from forex dealings were posted in the cash books in subsequent financial years.

The Committee further noted that bank debit advises in respect of Kshs.1,424,688.005 were not produced for verification at the time of audit.

The Committee recommends that the Chief Executive should prepare a full reconciliation of Kshs.1,424,688,055 and submit the details of the reconciliation to the Auditor-General (Corporations) by 30th September, 2000 for verification.

1.4 Receipts amounting to Kshs.5,954,424,811 reflected in the four bank statements were not entered in the cash books for over a year and could not be vouched because their supporting documents were not produced for audit verification.

The Committee heard the evidence given by the Chief Executive that receipts amounting to Kshs.5,954,424,811 reflected in the four bank statements were not entered in the cash books for over a year due to a new mode of payment of sold teas from payment by cheque to payment by telegraphic transfer which created a scenario where cash receipts were lagging against payments in the cash-books.

The Committee was further informed that all the necessary entries have been effected in the cash books for the subsequent period.

The Committee noted with concern that the Authority failed to produce supporting schedules in respect of receipts totalling Kshs.5,954,424,811 for audit verification.

The Committee recommends that the Chief Executive should prepare a full reconciliation of Kshs.5,954,424,811 and submit the details of the reconciliation to the Auditor-General (Corporations) by 30th September, 2000 for verification.

1.5 There are also receipts in the cash books not entered in the bank statements totalling to Kshs.2,433,733,149 which could also not be verified because their supporting documents were similarly not produced for audit verification.

The Committee heard the evidence given by the Chief Executive that the receipts in the Cash books not entered in the bank statements for Kshs.2,433,733,149 had resulted from a new mode of payment of sold teas where cash receipts were lagging against payments in the Cash books.

The Committee was informed that the receipts not entered in the Cash books was recorded in the subsequent years and all the necessary information availed to the Auditor-General (Corporations) for verification.

The Committee recommends that the Chief Executive should prepare a full reconciliation of Kshs.2,433,733,149 and submit the details of the reconciliation to the Auditor-General (Corporations) by 30th September, 2000 for verification.

2.0. CASH AND BANK BALANCE/OVERDRAFT

2.1. The Balance Sheet cash and bank balance of Kshs.1,365,154,000 and the overdraft figure os Kshs.3,175,943,000 include export cash collection account balances of Kshs.1,068,696,199 and (Kshs.1,863,753,734) respectively resulting in a net overdraft of Kshs.795,057,535 on the export cash collection account, an indication that the farmers were overpaid by this amount during the year under review.

The authority has not given a satisfactory explanation on the circumstances that led to this overpayment and what arrangements were made to recover the amount.

2.2. Further scrutiny of the export cash collection account indicated that there were cash advances to KTDA amounting to Kshs.300,000,000 whose nature could not be confirmed because supporting analyses were not produced for audit verification. The Authority has not explained the terms under which the advances were made from the growers account.

Arising from the foregoing, it was not possible to confirm that the Balance Sheet cash balance and the overdraft are correctly stated.

The Committee heard the evidence given by the Chief Executive that a net overdraft of Kshs.795,057,535 reflected under Export Collection Cash books balances of the Authority did not imply any overpayment to farmers but arose due to temporary cash flow problems experienced by the Kenya Tea Development Authority (KTDA) and the factory companies during the period.

The Committee further heard that the situation was later rectified and the farmers promptly paid their bonus amounting to Kshs.3,748,407,258 without any external funding.

The Committee was informed that advances to KTDA amounting to Kshs.300 million from export collection account were fully repaid back to the concerned factories and that both Payment Advice and Money Received Vouchers have since been forwarded to the Auditor-General (Corporations) for verification.

The Committee noted that an amount of Kshs 300 million was advanced to KTDA by factories without clear terms, and that as a result no interest has been paid on the said advances.

The Committee recommends that:-

(i) The Chief Executive should ensure that all relevant supporting documents are made available to the Auditor-General (Corporations) during audit exercise pursuant to the Exchequer and Audit Act (Cap.412).

(ii) The Chief Executive should ensure that interest accrued on the Kshs.300 million advanced to KTDA by factory companies should be paid to the concerned factories by 31st December, 2000.

3.0. PURCHASE OF TRUCKS - KSHS.109,553,800

3.1 During the year under review, the Authority purchased 25 trucks from a supplier at a total cost of Kshs.109,553,800. The amount was paid as follows:-

	Kshs.
Amount paid through KTDA main account	52,401,021
Amount paid through Forex Margin account	57,152,779
Total cost	109,553,800

It was, however, observed that on 28th July 1995, the Authority transferred a total of Kshs.66,700,308 from its other two banks to Kenya Commercial Bank to cater for the amount paid through the Forex Margin account and this was entered in the export collection cash book. The transferred amount and that paid through KTDA main account add up to Kshs.119,101,329 which is Kshs.9,547,529 above the purchase cost of Kshs.109,553,800. The Authority has not explained how this difference of Kshs.9,547,529 was accounted for.

3.2. The Balance Sheet Fixed Assets figure of Kshs.254,913,000 excludes the cost of trucks and lorries totalling Kshs.52,401,021 bought by the Authority on behalf of the factories during the year under review but not transferred to the factories. The Authority has not indicated how these were accounted for in the Authority's books. Consequently, I am unable to confirm the correctness of the Authority's fixed assets figure of Kshs.254,913,000 shown in the Balance Sheet as at 30th June 1995.

The Committee heard the evidence given by the Chief Executive that the Authority purchased 25 trucks from a supplier at a total cost of Kshs.109,553,800 with Kshs.52,401,021 being paid through KTDA main Bank Account and Kshs.57,152,779 paid through Export Collection.

The Committee was informed that an amount of Kshs.52,401,021 paid through KTDA main bank account for the 25 lorries could not be added to the Authority's fixed assets as the lorries were being bought on behalf of the factories.

The Committee noted that while the factory companies had the physical possession of the lorries, registration had been done in the name of KTDA and the error was corrected in the subsequent period.

The Committee was also informed that:-

(i) The Authority has traditionally procured Bedford lorries due to their versatility on rough roads and the ease of maintenance and that due to non-availability of these trucks, Intership Clearing and Forward Ltd was approached to supply 25 Bedford J6 lorries at Kshs.2,300,000 million each.

The contract for the supply of the lorries was awarded on 4th March, 1993.

(ii) On 12th October, 1993, Intership Clearing and Forwarding Company who were allegedly to import the trucks from Uganda requested for an increase in their original offer of Kshs.2,300,000 to Kshs.4,382,000 per truck because the Kenya Shilling had depreciated from Kshs.50.2530 to Kshs.99.5327 against the UAPTA, the regional currency of the transaction.

(iii) A further 2 lorries of the same model were bought at Kshs.2.8 million each.

The Committee made the following observations:-

(i) That ten (10) trucks out of twenty five (25) trucks which were ordered from Intership and Forwarding Company were actually assembled at the General Motors (K) Ltd as indicated in the contents of Internal Office Memorandum dated 28th November, 1994 from the then Financial Controller Mr. N.K. Mbindyo to the Managing Director, and were not imported from Uganda.

(ii) That the Board of Directors and the Management of KTDA colluded with Intership Clearing and Forwarding Company to defraud farmers of colossal sums of money by purchasing the trucks at Kshs.4,382,000 each while the prevailing prices then ranged between Kshs.1.8 million and 2.8 million per truck.

(iii) That the Authority varied the price of the ten trucks which were locally assembled from Ksh.2,300,000 to Kshs.4,382,000 allegedly due to depreciation of the Kenya Shilling from Kshs.50.2530 to Kshs.99.5327

against the UAPTA and yet the trucks were never imported from Uganda.

(iv) That the variation of the cost of the trucks from Kshs.1,350,000 in September, 1992 to Kshs.2,300,000 in March, 1993 and finally to Kshs.4,382,000 in October, 1993 per truck by the supplier was highly exaggerated and suspect.

(v) That the Managing Director of Intership Clearing and Forwarding Company Mr. Peter Mwita who purported to import the 25 lorries from Uganda at a price of UAPTA 29849.0 per lorry, knowingly and with intention to defraud the Authority, asked for variation of prices of ten of the 25 lorries on the basis of the depreciation of the Kenya Shillings, whereas the ten lorries were actually assembled locally and therefore would not be affected by the depreciation of the currency.

(vi) The Chairman of KTDA Mr. S.M. M'Imanyara and the Board of management failed to discharge their responsibilities of supervision, control and management of the procurement of goods and services by the Authority.

(vii) The parent Ministry apparently appeared not to exercise adequate control on the Authority with regard to the procurement of goods and services.

The Committee recommends that:-

(i) The Chairman of KTDA, Mr. S.M. M'Imanyara, the then Board of Management and the then Managing Director, Mr. Cyrus Irungu should be help responsible for the irregular manner in which the 25 lorries were procured leading to loss of colossal sums of money to the farmers.

(ii) The Attorney-General and the Director of Kenya Anti-Corruption Authority should investigate the apparent collusion between the KTDA Chairman *Mr. S.M. M'Imanyara*, the then Managing Director, *Mr. Cyrus Irungu* and *Mr. Peter Mwita*, Managing Director of Intership Clearing and Forwarding Company in the irregular procurement of ten out of the twenty five (25) lorries which were allegedly imported from Uganda when they were actually assembled in the General Motors (K) Limited.

(iii) The parent Ministry should ensure that proper procurement procedures are put in place in KTDA to curb corrupt practices and fleecing of farmers' money through fraudulent tenders.

(iv) Individual Factory Company/Leaf Base should be given a free hand in the procurement of vehicles and its accessories; and that KTDA should cease to float tenders for such goods.

4.0. INVESTMENT IN TEA FACTORY COMPANIES

The investment figure of Kshs.901,368,194 includes an amount of Kshs.762,885,376 that the Authority advanced to four new factories as loans. However, I have not seen loan agreements signed between the Authority and the factories specifying the terms of the loans. In the circumstances, I am unable to confirm that the terms of the loans have been complied with.

The Committee heard the evidence given by the Chief Executive that the amount of Kshs.762,885,376 included in the investment figure of Kshs.901,368,194 for four new factories was provisional and that the final loan amounted to Kshs.813,496,994.90.

The Committee was informed that:-

(i) **The loan which were initially to be on-lend to the factories in Kenya Shillings were later on agreed between the Authority and the Companies to be on-lend to the latter in US Dollars in order to cushion the former from Exchange rate fluctuations.**

(ii) **The debenture agreements were drawn and necessary charges made to secure the interests of the Authority.**

(iii) **The four factory companies are currently repaying their loans under the new terms and none has any arrears.**

The Committee recommends that the Chief Executive should provide signed agreements in respect of loans on-lent to factories to the Auditor-General (Corporations) for verification by 30th September, 2000.

5.0. DEBTORS AND PREPAYMENTS

5.1. Included in the Balance Sheet debtors and prepayments figure of Kshs.729,513,103 are debts totalling Kshs.692,942,250 which could not be confirmed because details and analyses in support of the figure were not produced for audit verification.

5.2 Further, although the accounts reflect debtors amounting to Kshs.729,513,103, records produced for audit verification indicate that debtors amount to Kshs.726,939,692 resulting in a difference of Kshs.2,573,411 whose nature was not explained during the audit.

5.3 The Debtors and Prepayments figure of Kshs.729,513,103 in addition included debts totalling Kshs.2,390,156 which have been outstanding for over four years and whose recoverability is doubtful. The Authority has not explained what measures are being taken to recover the debts. No provision was made in these accounts to cater for bad and doubtful debts and consequently, I am unable to confirm the correctness of the Balance Sheet debtors and prepayments figure of Kshs.729,513,103 as at 30th June,

1995.

The Committee heard the evidence given by the Chief Executive that included in the Balance Sheet debtors and prepayments figure of Kshs.729,513,103 are debts totalling Kshs.692,942,250 for which supporting schedules were not produced during the time of audit.

The Committee was informed that:-

(i) Individual accounts in relation to the debts of Kshs.692,942,250 have since been analyzed and agreed to the General Ledger and Balance Sheet figures and the same availed to the Auditor-General (Corporations) for verification.

(ii) Out of Kshs.2,390,156 debts that have been outstanding for the last four years, the Authority has managed to recover Kshs.1,653,693 from the following:-

(a)	**Continental Credit Finance (under receivership)**	**-**	**Kshs.1,187,500**
(b)	**Ex-employees**	**-**	**Kshs.218,821**
(c)	**Mbai & Kibuthu Advocates & Rosam Enterprises**	**-**	**Kshs.69,565.95**
(d)	**Kenya National Assurance Co. Ltd (Under receivership)**	**-**	**Kshs.177,806.00**

(iii) A further debt of Kshs.345,144.85 outstanding from Regent Auctioneers and Magic Auctioneers is under litigation leaving a balance of Kshs.391,318.15.

The Committee was further informed that where recoverability is doubtful, provision for bad and doubtful debts would be made while action is being taken to clear the remaining outstanding balance.

The Committee was concerned that the Authority failed to produce supporting schedules in support of debtors totalling Kshs.692,942,250 for audit verification.

The Committee recommends that:-

(i) The Chief Executive should ensure that all relevant supporting documents are made available to the Auditor-General (Corporations) during audit exercise pursuant to the Exchequer and Audit Act (Cap. 412).

(ii) The Chief Executive should use all means possible including litigation to

recover the outstanding debts of Kshs.736,463.00.

(iii) The Chief Executive should reconcile the difference of Kshs.2,573,411 and forward information to the Auditor-General (Corporations) by 30th September, 2000.

6.0. INDEBTEDNESS BY THE PARENT MINISTRY - OLENGURUONE TEA PROJECT

In my report on the accounts for the previous year, reference was made to an expenditure of Kshs.12,480,334 incurred by the Authority on behalf of the Parent Ministry at Ole Nguruone Tea Factory and which remained unreimbursed by 30th June, 1994.

During the year under review, the Authority spent a further sum of Kshs.2,052,409 on the same project on behalf of the Ministry against revenue receipts of Kshs.292,744 thus bringing the total amount owed to the Authority by the Parent Ministry to Kshs.14,239,999. Although it had been indicated that the Ministry would reimburse the Authority the amount spent on the project, no reimbursement has been made as at the time of signing this report.

The Committee heard the evidence given by the Chief Executive that during 1998/99 financial year, the Government reimbursed a total of Kshs.14,000,000 in respect of an expenditure incurred by the Authority on behalf of the parent Ministry at Ole Nguruone Tea Factory.

The Committee was informed that:-

(i) The Agreement between the KTDA and the Ministry of Agriculture expired on 23rd March, 1993 but was formally terminated in February, 1999.

(ii) The KTDA is demanding payments of additional grants amounting to about Kshs.26 million to cover expenses incurred when the contract had not officially been terminated.

(iii) The net outstanding amount as at 30th June, 1999 is Kshs.45,843,922.

The Committee noted that the parent Ministry was disputing the outstanding amount due to the KTDA and that this was delaying the said reimbursements.

The Committee therefore recommends that the Authority and the Ministry of Agriculture and Rural Development should work out modalities of finalizing the debts owed to the Kenya Tea Development Authority and the reimbursements be made to the Authority by 31st December, 2000.

KENYA PIPELINE COMPANY LIMITED

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA PIPELINE COMPANY LIMITED FOR THE YEAR ENDED 30TH JUNE, 1996

1. LATE SUBMISSION OF ACCOUNTS FOR AUDIT

The 1995/96 accounts submitted for audit have not been approved by the Board. The accounts were first submitted more than three (3) months late, on 13th February 1997 and revised subsequently by the Company 3 times on 29 April 1997, 27th June 1997 and 8th October, 1998. As far as I am aware, no extension of the period for submission of accounts was applied for or given as provided for in the Exchequer and Audit Act (Cap 412).

The Committee heard the evidence given by the Chief Executive that the Company delayed submission of 1995/96 annual accounts for audit due to delay in the completion of the 1994/95 accounts.

The Chief Executive pledged to submit subsequent accounts in good time and ask for extension of submission period incase of delay.

The Committee was concerned that the Company was in contravention of the Exchequer and Audit Act (Cap 412) regarding the submission of accounts.

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

The Committee further recommends that in future late submission of accounts should lead to dismissal of the Chief Executive concerned.

2. FINANCIAL POSITION

It was reported in the previous year that the Company's Balance Sheet reflected a negative working capital due to high capital gearing caused by Western Kenya Pipeline project. The working capital is still in the negative and stands at Kshs.333,617,000 as at 30th June 1996, which is an indication that the Company is still in problems of meeting its obligations.

The Committee heard the evidence given by the Chief Executive that the Company's Balance Sheet reflected a negative working capital of Kshs.333,617,000 as at 30th June, 1996 due to effects of massive capital investment involved in the construction of the Western Kenya Pipeline extension during the year 1993/94.

The Committee was informed that:-

(i) **The Company envisaged a change in this position by the 1997/98 financial year but the turn around time was realized even earlier as illustrated by the 1996/97 Balance Sheet.**

(ii) **The accounts for 1996/97 and 1997/98 financial years have positive working capital.**

The Committee therefore reiterates its previous recommendation under paragraph 2 of the 1994/95 accounts (Eighth Report) that the Chief Executive should ensure that adequate resources are sourced and set aside before the Company embarks on any heavy capital investment to avoid liquidity constraints in future.

3. ACCOUNTS PAYABLE AND ACCRUALS

The Accounts Payable and Accruals Balance Sheet figure of Kshs.489,466,000 includes Kshs.79,339,000 collected from Kipevu Oil Storage Facility on behalf of the Ministry of Energy. The amount has been held by the Company for over 9 months and apparently there is no formal agreement on how regularly the company should pay over the revenue. In the absence of any agreement between the Company and the Ministry, I was unable to ascertain that the money was correctly held by the Company at the end of the financial year.

The Committee heard the evidence given by the Chief Executive that a balance sheet figure of Kshs.489,466,000 includes Kshs.79,339,000 collected from Kipevu Oil Storage facility on behalf of the Ministry of Energy.

The Committee was informed that:-

(i) **During the construction of the Oil Facility, the Government appointed Kenya Pipeline company to oversee the project.**

(ii) **There is no formal agreement between Kenya Pipeline Company and the Government on the operation of the facility.**

(iii) **In the absence of such an agreement, Kenya Pipeline Company operates and collects revenue from the facility and after offsetting the maintenance and operating expenses remits the balance of the revenue to the Ministry.**

(iv) **Out of 79,339,000 owing to the parent Ministry, the Company has paid Kshs.71,339,000 leaving a balance of Kshs.8,000,000 which is to be cleared in due course.**

The Committee recommends that the Company should ensure that a formal agreement is signed between Kenya Pipeline Company and the Government on the operation of Kipevu Oil Storage Facility.

4. INVESTMENTS

The investment figure in the Balance Sheet of Kshs.66,500,000 represents shares issued in exchange for deposits held by the defunct financial institutions taken over by the Consolidated Bank of Kenya. No dividend has ever been declared or received on this investment and it is doubtful whether the value reflected is realistic. Further, the Company had deposits totalling Kshs.115,517,697 that were not included in the figure of investments. As explained in note 17 to the accounts, the deposits were held in financial institutions that have ceased operation and the realization of the deposits and interest thereon is in doubt and the amount may have to be written off.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet investment figure of Kshs.66,500,000 relates to shares acquired in the Consolidated Bank of Kenya in exchange for deposits held in the defunct financial institutions.

The Committee was informed that this conversion was the only feasible option available in order to secure the said deposits.

The Committee was further informed that the Consolidated Bank of Kenya has never declared any dividends and that using the available information in the market and the banks annual accounts, it was found necessary to adjust the value of investments in the books.

The Committee reiterates its earlier recommendation under paragraph 4 of the 1994/95 accounts (Eight Report) that the Permanent Secretary, Ministry of Energy should find out why the Consolidated Bank of Kenya has not paid dividends since its inception in 1990.

The Committee further recommends that the Corporation as a shareholder should take interest in the management of the Consolidated Bank of Kenya and requisitioning of the Annual General Meeting.

NATIONAL OIL CORPORATION OF KENYA

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

1. DELAY IN SUBMISSION OF ACCOUNTS FOR AUDIT

The Corporation's accounts for the year under review which under the law should have been submitted for audit by 31st October, 1996 were not so submitted. The accounts were submitted nine months late on 8 August 1997 and had to be revised after the audit. No authority was obtained from the National Assembly for the extension of submission period as required by law.

The Committee heard the evidence given by the Chief Executive that the Corporation's accounts for the year under review were not submitted for audit within the statutory dates and that no parliamentary authority was sought for the extension of submission period as required by law.

The Committee was informed that the delay was caused by an analysis of expenditure incurred by the Corporation of Kshs.191,676,725 with regard to the Downstream Investment project which had to be undertaken in order to present a true and fair view of the Corporation's financial position and a high turnover of personnel in the accounts department.

The Committee noted that the then Chief Executive Mr. J.K. Kwambai who caused the delay in submission of accounts has been dismissed.

The Committee further noted that the Corporation has persistently delayed in submitting its accounts for audit without obtaining Parliamentary approval.

The Committee recommends that any Chief Executive of the Corporation who in future causes delay of submission of accounts for audit and fails to seek parliamentary approval for late submission should be dismissed from the public service.

2. NAKURU-NAIROBI ROAD PLOT NO. BLOCK 16/263

In the previous year's report, I expressed my doubts as to the suitability for development of a petrol service station on plot No. Block 16/263 measuring 0.2131 of a hectare in the Municipality of Nakuru, acquired at a cost of Kshs.14.5 million against a lower professional valuation of Kshs.11,800,000. Although development of a petrol station has since been allowed by the Municipal Council of Nakuru, the plot remained undeveloped through the year due to lack of funds.

The Committee heard the evidence given by the Chief Executive that the plot No.Block 16/263 in the Municipality of Nakuru which was bought at Kshs.14.5

million and which was above the professional valuation of Kshs.11.8 million for development of a petrol service station has remained undeveloped to date due to lack of funds.

The Committee further heard that:-

(i) All the necessary approvals for the development of the station have been obtained.

(ii) The Corporation had acquired the plot with the understanding that funds for development would be provided from the Petroleum Development Levy Fund (PDLF) in accordance with the PDLF Act but which were not forthcoming.

(iii) The Corporation developed only strategic plots in Nakuru, Eldoret, Kisumu, Sotik and Nairobi upon realizing that funds were not available.

The Committee noted that the Corporation incurred unnecessary losses amounting to Kshs.2.7 million being the difference between the plot purchase price of 14.5 million and the professional valuers' figure of Kshs.11.8 million because the management disregarded the professional valuation advice.

The Committee was concerned that the Corporation bought the plot when it was apparent that it would not be developed in foreseable future due to lack of funds.

The Committee therefore reiterates its earlier recommendation under paragraph one of the National Oil Corporation of Kenya in the Eighth Report of the Public Investments Committee, that the then Chief Executive, Mr. J. K. Kwambai, should pay the difference between the purchase price of Kshs.14.5 million and the Corporation's professional valuers' figure of Kshs.11.8 million.

The Committee further recommends that:-

(i) The Corporation should, without further delay, develop the Plot No.Block 16/263, Nakuru Municipality, as was envisaged and if not possible, dispose of.

(ii) The Corporation should not acquire property without adequate budgetary provision for development.

3. PROVISION FOR BAD AND DOUBTFUL DEBTS

The Balance Sheet Debtors figure of Kshs.77,201,712 is the net amount after providing for doubtful debts of Kshs.122,080,745 or 61% of the total debts. The provision is made of brought forward cumulative amount of Kshs.96,759,052 owed by Oil companies and current provision of Kshs.25,321,693 owed by Kenya Railways Corporation. It is not clear why it is difficult to recover the debts given that these companies are well known and operating.

The Committee heard the evidence given by the Chief Executive that the balance sheet debtors figure included an amount of Kshs.122,080,745 provided for by the Corporation as bad and doubtful debts. The Committee further heard that the cumulative amount was owed by oil companies and Kenya Railways Corporation.

The Committee was informed that:-

(i) The debts from the oil companies were not the principal amounts but arose out of the following:-

(a) Storage charges incurred by the Corporations before the products were actually delivered to oil companies.

(b) Exchange rate differential and escalations due to non-availability of forex at Central Bank of Kenya by then.

(c) Disputed prices by oil companies for crude cargoes imported outside the agreements.

(ii) The Corporation has addressed the outstanding account with Kenya Railways through the High Court of Kenya whereby Kenya Railways was ordered to pay the Corporations Kshs.44,102,168.50.

(iii) The Corporation has recovered to-date Kshs.46,406,686.80 from both the Kenya Railways and Oil Companies thereby leaving a balance of Kshs.75,620,064.20 as provision for Bad and Doubtful debts.

The Committee recommends that the Chief Executive should take the necessary measures including litigation to recover the outstanding debts in full.

The Committee further recommends that the Treasury should compensate the Corporation for the losses incurred as a result of the importation of the crude oil on Government directive.

NATIONAL OIL CORPORATION OF KENYA

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL OIL CORPORATION OF KENYA FOR THE YEAR ENDED 30TH JUNE, 1997

1. DELAY IN SUBMISSION OF ACCOUNTS FOR AUDIT

The Corporation's accounts for the year 1996/97, which under the law should have been submitted for audit by 31 October 1997, were not so submitted. Instead, the accounts which were submitted on 20 November 1997 were subsequently revised by the management three times on 28 May 1998 and 6 october 1998. In view of the late submission, followed by revisions to correct the inaccuracies in the accounts, I was unable to sign the report on the accounts within the statutory period of 31 January 1998. As far as I am aware, no approval of the National Assembly was sought to extend the period within which to submit the accounts as required by the law.

The Committee heard the evidence given by the Chief Executive that the Corporation's accounts for the year under review were not submitted for audit within the statutory dates and that no parliamentary authority was sought for the extension of submission period as required by law.

The Committee further heard that the delay in submission of accounts was caused by:-

(i) Preparation of NOCK's Downstream project accounts for the year 1994/95, 1995/96 and 1996/97 on the expenditure of Kshs.306,710,138 which needed to be analyzed and shown separately in the Balance Sheet.

(ii) The incorporation into the financial statement of the Corporation for the year 1996/97 of the compensation amounting to Kshs.329,167,880 received from the Government for the commercial loss suffered by the Corporation during the 1990/91 - 1991/92 financial years.

(iii) The loss of qualified staff to Corporation's competitors who were offering good Terms and Conditions of Service.

The Committee noted that the then Chief Executive Mr. J.K. Kwambai who caused the delay in submission of accounts has been dismissed.

The Committee further noted that the Corporation has persistently delayed in submitting its accounts for audit without obtaining Parliamentary approval.

The Committee reiterates its earlier recommendation under paragraph 1 of the 1995/96 Accounts that any Chief Executive of the Corporation who in future causes delay of submission of accounts for audit and fails to seek parliamentary

approval for late submission should be dismissed from the public service.

2. NAKURU NAIROBI ROAD PLOT NO. BLOCK 16/263

In the two previous years' reports, I expressed doubts as to the suitability for development of a petrol station on plot No.16/263 measuring 0.2131 hectare in the Municipality of Nakuru, acquired at a cost of Kshs.14.5 million against a lower professional valuation of Kshs.11.8 million. The plot remained undeveloped throughout the year and no return has, therefore, been received from the investment 4 years after the property was purchased.

The Committee heard the evidence given by the Chief Executive that the plot No.Block 16/263 in the Municipality of Nakuru was bought at Kshs.14.5 million which was above the professional valuation of Kshs.11.8 million for development of a petrol service station.

The Committee further heard that although the Corporation obtained clearance from the Municipal Council of Nakuru to develop the plot as fully pledged petrol service station, the plot has remained undeveloped due to lack of funds.

The Committee noted that the Corporation incurred unnecessary losses amounting to Kshs.2.7 million being the difference between the plot purchase price of 14.5 million and the professional valuers' figure of Kshs.11.8 million because the management disregarded the professional valuation advice.

The Committee was concerned that the Corporation bought the plot when it was apparent that it could not be developed in the foreseable future due to lack of funds.

The Committee therefore reiterates its recommendation under paragraph two of the 1995/96 accounts of the National Oil Corporation of Kenya that the then Chief Executive, Mr. J.K. Kwambai, should pay the difference between the purchase price of Kshs.14.5 million and the Corporation's professional valuers' figure of Kshs.11.8 million.

The Committee further recommends that:-

(i) The Corporation should, without further day, develop the Plot No.Block 16/263, Nakuru Municipality, as was envisaged and if not possible, dispose of.

(ii) The Corporation should not acquire property without adequate budgetary provision for development.

3. PROVISION FOR BAD AND DOUBTFUL DEBTS

The Balance Sheet debtors figure of Kshs.148,981,002 is the net amount after providing for doubtful debts. The provision Kshs.128,837,561 or 46% of the total debts. The

provision is made up of brought forward cumulative amount of Kshs.122,080,745 owed by Oil Companies and Kenya Railways as well as current provision of Kshs.6,756,816. Some of the debts are disputed and may not be realized in full.

The Committee heard the evidence given by the Chief Executive that the balance sheet debts figure included an amount of Kshs.122,080,745 and a further Kshs.6,756,816 provided for by the Corporation as Bad and Doubtful Debts and General provision for Bad and Doubtful Debts respectively.

The Committee was informed that:-

(i) The debts from the oil companies were not the principal amounts but arose out of the following:-

(a) Storage charges incurred by the Corporation before the products were actually delivered to oil companies.

(b) Exchange rate differential and escalations due to non-availability of forex at Central Bank of Kenya by then.

(c) Disputed prices by oil companies for crude cargoes imported outside the Agreement.

(ii) The Corporation has addressed the outstanding account with the Kenya Railways through the High Court of Kenya whereby the Kenya Railways was ordered to pay the Corporation Kshs.44,102,168.50.

(iii) The Corporation has realised to-date Kshs.46,406,686.80 from both the Kenya Railways and the oil companies thereby leaving a balance of Kshs.75,620,064.20 as provision for Bad and Doubtful debts.

The Committee reiterates its earlier recommendation under Paragraph 3 of the 1995/96 accounts that:

(i) The Chief Executive should take the necessary measures including litigation to recover the outstanding debts in full.

(ii) The Treasury should compensate the Corporation for the losses incurred as a result of the importation of the crude oil on Government directive.

KENYA AGRICULTURAL RESEARCH INSTITUTE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA AGRICULTURAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE, 1997

1.0 FINANCIAL POSITION

1.1. The income and Expenditure account for the year reflects an excess expenditure over income of Kshs.17,801,000 (1995/96 - Kshs.120,605,000) thereby bringing the accumulated excess expenditure over income to Kshs.326,742,000 as at 30th June, 1997. further, the Balance reflects a negative working capital of Kshs.38,515,000. The continued operations of the Institute will, therefore, depend on the support of the creditors, banks and donors as well as the Government.

1.2. The Institute was also unable to pay a total of Kshs.176,008,197 in respect of statutory deduction as follows:-

	Kshs.
NHIF	10,688,067
NSSF	29,893,909
PAYE	42,603,201
PENSIONS	92,026,610
WCPS	976,410
	176,008,197

The Institute was, therefore, in breach of statutory obligations and is likely to incur penalties making the adverse financial position even worse.

The Committee heard the evidence given by the Chief executive that the Institute realised a deficit of Kshs.17,801,000 thereby bringing the accumulated excess expenditure over income to Kshs.326,742,000 as at 30th June, 1997.

The Committee further heard that the Institute experienced a working capital shortfall of Kshs.38,515,000, and that both the shortfall and the deficit was caused by annual depreciation of plant, equipment and buildings which was charged to the accounts and inadequate release of funds for operation.

The Committee was also informed that the Institute was unable to pay Kshs.176,008,197 in respect of statutory deductions due to under release of the operations and maintenance funds.

The Committee noted that the Institute is trimming its portfolio to address the

issue of excess expenditure and is also exploring alternative sources of revenue.

The Committee was concerned that the Treasury has continuously released less funds than provided for in the printed estimates which has resulted in the failure by the Institute to meet its statutory obligations.

The Committee recommends that the Chief Executive and the parent Ministry should explore other avenues of funding the Institute and reducing the excess expenditure by trimming its portfolio inorder to enable it operate viably.

The Committee further recommends that the parent Ministry should release all the funds provided for in the printed estimates to the Institute to enable it meet statutory obligations and achieve the objectives for which it was set up for.

The Committee also recommends that the Institute should release the Kshs.176,008,197 in respect of statutory deduction to the relevant institutions.

2. LAND AND BUILDINGS - OWNERSHIP

As pointed out in the pevious year's report, the Institute did not have title deeds for the land vested in it. The ownership of some land has still not been determined for the issuance of title deeds. In the absence of the title deeds for the land vested in the Institute on which some of its buildings stand, I am still unable to confirm the Institute's ownership of land valued at Kshs.767,852,000, buildings - Kshs.1,655,342,000 and works in progress - Kshs.183,556,000. Further, substantial tracts of land belonging to the Institute's research centres continued to be allocated to third parties without the Institute's approval. In particular, parts of 4 pieces of land referenced LR No.2197/2/2R, 2071R, 2049R and 9070/1 with a total acreage of 2,295.5 previously entrusted to Kitale National Research Centre, has been allocated by the Government to individuals, churches and a school without the consent of the Institute and without regard to the present and future needs of Agricultural Research. A balance of about 1,084 acres in Kitale remain vested in the Institute, but without title deeds, the continued use of the land for agricultural research is not guaranteed.

The Committee heard the evidence given by the Chief Executive and was informed that substantial tracks of Land belonging to the Institute's research stations have continued to be allocated by the Government to various individuals, public and private organisations, and that ownership of some land has still not been determined for the issuance of title deeds.

The Committee was further informed:-

(i) That the following are the allottees of KARI land in Kitale (Top Station).

Top Station

KARI - LAND
PDP. NO.KTL.10.94.55

NO.	NAME OF ALLOTTEE	PLOT NO.	HAC.
1.	Christopher Kipkurui	A	4.015
2.	Patrick Kiplagat	B	4.015
3.	Zakayo Bargoiyet	I	2.00
4.	Silas Rotich	H	"
5.	Kennedy Kipkemoi	E	"
6.	Raymond Kimeli	F	"
7.	Patrick Analo	G	"
8.	George Ombaso	D	"
9.	Mrs Grace K. Omambia	C	"
10.	David S. Kipkemei	J	"
11.	Nathaniel K. Chepkener	K	1.855

PDP. NO.KTL.10.94.65

NO.	NAME OF ALLOTTEE	PLOT NO.	HAC.
1.	Leticia Chelimo	N	0.43
2.	Benjamin Kitur	M	"
3.	Abass S. Mohammed	L	"
4.	A.Y. Abdi	K	"
5.	D.K. Saina	J	0.29
6.	Wilson Chepkwony	I	0.33
7.	E.M. Kiragu	H	"
8.	Injene Indeche	F	"
9.	E.W. Kiboro	G	0.32
10.	William Kipkosgei	E	0.28
11.	Eric Maende	A	0.20
12.	Caleb Muluki	B	0.28
13.	James S. Munialo	C	0.24
14.	Silas Rotich	D	"

PDP. NO.KTL.10.94.70

NO.	NAME OF ALLOTTEE	PLOT NO.	HAC.
1.	Herman Kambi	E	1.31
2.	David Andere	F	"
3.	Anthony Lewa	G	1.0
4.	Patrick Kiplagat	A	1.9
5.	Patrick Chakava	B	2.02
6.	Samuel Mugatsia	D	1.90
7.	Vincent Sakwa	C	1.4

PDP. NO.KTL.10.94.72

1.	Joseph K. Kosgei		1.4375

PDP. NO.KTL.10.95.45

1.	Rev. Silas Yego		1.10

PDP. NO.KTL.10.95.61

1.	William W. Anyenda		0.47

PDP. NO.KTL.10.95.54

1.	Kevin Kiprop		1.10

PDP. NO.KTL.10.95.53

1.	Wandegeya Co. Limited	A	1.1580
2.	Simon Thuo	B	0.350

PDP. NO.KTL.10.95.249

1.	Belle H. Masa	1	0.8
2.	Peris Chepchirchir	2	0.48
3.	Junes Saina	3	0.427
4.	C.O. Atieno	4	0.65

PDP. NO.KTL.10.94.83

1.	Mary Jemutai	A	1.220
2.	J.A. Wena	B	0.5200
3.	Mary J. Tonje	C	0.5300
4.	Mary J. Tonje & J.A. Wena	D	0.4800
5.	Mary Chebet	E	0.3780
6.	George Wanyova	F	0.3780

PDP. NO.KTL.10.94.46

1.	Elisha Murei	1	0.17
2.	Alice Busienei	2	0.27
3.	Daniel Biwott	3	0.26
4.	Jacob Leting	4	0.30
5.	William Ruto	5	0.17
6.	Isaiya Rotich	6	0.17
7.	George Wambafu	7	0.17
8.	David Sitienei	8	0.17
9.	Jona Sawe	9	0.17
10.	Andrew Kibet	10	"
11.	David Kipchoge Keino	11	"
12.	David Kiptoo	12	"
13.	Benjamin Tarus	13	"
14.	David Ruto	14	0.19
15.	Emilly Kili	15	0.17
16.	Isaac Leting	16	0.19
17.	Simon Kipketer	17	"
18.	Jacob Birech	18	"
19.	Joseph Chebii	19	"
20.	Filder Naibei	20	0.21
21.	David Rono	21	0.18
22.	Jeremia Ngetich	22	"
23.	Keprugutt Sareto	23	"
24.	Titus Chumo	24	"
25.	Claryce Otieno	25	"
26.	Sammy Sang	26	0.18
27.	Stanely Bitok	27	"
28.	Joseph Terer	28	0.19
29.	Hezekia Kessia	29	0.28
30.	David Oduor	30	0.21
31.	Kibiwott Kendagor	31	0.21
32.	Daniel Yego	32	"
33.	Edna Jacob	33	"
34.	Raphael Biwott	34	"
35.	Wilson Koech	35	"
36.	Rosaline Yego	36	"
37.	John Biwott	37	"
38.	Thomas Korir	38	"
39.	Anne Birir	39	0.21
40.	David Langat	40	0.18
41.	Mary Muthoni	41	"
42.	James Kiptoo	42	"
43.	Samuel M. Kogo	43	0.21
44.	Evaline Chemelei	44	"
45.	John Ngelechei	45	"
46	Zakayo Bargoiyet	46	"

PDP. NO.KTL.10.94.48

NO.	NAME OF ALLOTTEE	PLOT NO.	HAC.
1.	Shadrack Busienei	17	0.364
2.	Kibii Maiyo	18	"
3.	Justus Sang	19	"
4.	Joseph T. Chenjor	20	"
5.	Anthony Chemweno	21	"
6.	Solomon Kipkosgei	22	"
7.	Festus Kirwa	23	"
8.	Obed Bett	24	"
9.	Job Talam	25	"
10.	Kipkorir Kiptoo	1	0.189
11.	Laban Sogom	2	"
12.	Jeremy R. Birichi	3	"
13.	Shadrack Busienei	4	"
14.	Daniel Yego	5	"
15.	Japhet Mibey	6	"
16.	Julius Bii	7	"
17.	Wilson K. Kimaiyo	8	"
18.	Nehemia Samoei	9	"
19.	Sammy Boit	10	"
20.	Humprey Ndarawa	11	"
21.	Stephen Lelimo	12	"
22.	Richard K. Sumu	13	"
23.	William Koech	14	"
24.	Kimutai K. Haron	15	"

NO.	NAME OF ALLOTTEE	PLOT NO.	HAC.
	PDP. NO.KTL.10.95.91		
1.	Ben Kipleting	1	0.2
2.	Allan Nyume	2	"
3.	Chepchirchir Korir	3	"
	PDP. NO.KTL.10.95.99		
1.	Stephen Kipruto	1	0.1575
2.	Andrew Koech	2	"
3.	Anthony Chesire	3	"
4.	Mirriam Busienei	4	"
	PDP. NO.KTL.10.95.98		
1.	Andrew Kosgei	1	0.16
2.	Ben Kipleting	2	"

3.	Andrew Kosgei	3	0.35
4.	Andrew Kosgei	4	0.18
5.	Ben Kipleting	5	0.18

PDP. NO.KTL.10.95.56

1.	Leah K. Ngetich	A	0.125
2.	Z.K. Chepngetich	B	0.125
3.	Kipkoech Kiprotich	C	0.10
4.	E. Menza	D	0.10

PDP. NO.KTL.10.95.143

1.	Major J.K. Krop	A	0.345
2.	Major Jacob Rialem	B	0.345

PDP. NO.KTL.10.95.144

1.	Stkham Enterprises	1	0.311
2.	Leap Enterprises	2	"
3.	Stephen Kiptoo	3	"
4.	Basal Investments	4	"

PDP. NO.KTL.10.94.33

1.	L. Chepkwony	C	2.0
2.	George Ombaso	B	2.0
3.	David Saina	G	2.0
4.	P.T. Sang	F	2.0
5.	M. K. Seroney	H	2.0
6.	Catherine Cherop	E	2.0
7.	Saleh K. Chepkole	A	2.0
8.	J. Mutai	D	2.0

PDP. NO.KTL.10.94.42

NO.	NAME OF ALLOTTEE	PLOT NO.	HAC.
1.	Peter Kiplagat	1	0.96
2.	Paul Nyamweya	2	0.96
3.	Juliu Kolil	3	0.96
4.	Simon Rotich	4	0.96
5.	George Ombasa	5	0.96
6.	William Koskei	6	0.96
7.	Melvin Chesang	7	0.96
8.	Grace K. Omambia	8	0.96
9.	Alexander Kiplagat	9	0.96
10.	Hellen Chelimo	10	0.96

11.	Bil Michah Omambia	11	0.96
12.	David Korir	12	0.96
13.	R.C. Butaki	13	0.96
14.	E.W. Wang'ombe	14	0.96
15.	E.M. Wawire	15	0.96
16.	Barnabas Mungo Longit	16	0.21
17.	Lawrence J. Ochengo	17	0.21
18.	Kelly Chelugui	18	"
19.	Athur Iyadi	19	"
20.	William Sawe	20	"
21.	Matilda P. Sakwa	21	"
22.	Judy T. Oduor	22	"
23.	Mary Cherutto	23	"
24.	David Osoro	24	"
25.	S.K. Cheruiyot	25	"
26.	Joseph K. Yego	26	"
27.	Joseph Yano	27	"
28.	Yofan Sangong	28	"
29.	D.R. Tuikong	29	"
30.	Philip Mongony	30	"
31.	Cornelius K.O. Nyamboki	31	"
32.	Yusuf Jamar Noor	32	"
33.	Marylucy Menjo	33	"
34.	Ben C. Kirui	34	"
35.	Robert Muyesi	35	"
36.	Joseph Kenyoru	36	"
37.	Christopher Ontita	37	"
38.	Michael Seroney	38	"
39.	Nathaniel Singoei	39	"
40.	Nathan Onamu	40	"
41.	Benjamin Imbogo	41	"
42.	Julius Kimoron	42	"
43.	I.K. Kipkoros	43	"
44.	Festus Obiri	44	"
45.	Patric Lel	45	"
46.	Clara Lagat	46	"

(ii) That although the Part Development Plans (PDP's) have been done, no title deeds have been issued by the Commissioner of Lands.

(iii) That the Provincial Administration has continued to harass the employees of KARI & KEPHIS who have protested the excision of KARI land and this has created animosity in the area which could lead to bitter confrontation.

(iv) That *Rev. Silas Yego,* Deputy Bishop of A.I.C. Church (Kenya) disassembled and removed the dairy equipment.

(v) That the Commissioner of Lands has revoked the allocation of three parcels of land namely Nos.21028,21029 and 21030 in Kitale Municipality.

Top Station

The Committee observed the following with concern:-

(i) That the Government land meant for research activities had been excised and allocated to private individuals and this has adversely affected the activities of the research centre.

(ii) That Government officials and individuals used their positions to illegally acquire KARI and KEPHIS land. Of particular concern to the Committee were the following:-

(a) *Mr. Ben Mogaka,* the then District Commissioner, TransNzoia District and currently Deputy Secretary, Ministry of Research and Technology who initiated and presided over the planning, sub-division and allocation of KARI land, acquired substantial amount of land under the names of his son *(Mr. George Ombaso,* wife *(Mrs Grace Omwambia),* several relatives and others.

(b) *Mr. R.C. Butaki,* the then Centre Director who should have been in the frontline in protecting KARI land, without proper authority of the Chief Executive and the Board, colluded with the then District Commissioner and illegally surrendered KARI land for subsequent allocation to individuals including himself.

(c) *Rev. Silas Yego,* Deputy Bishop of A.I.C. Church (Kenya), under the pretext of application of land for church use acquired land for himself and others thus committing sacreligious act.

(iii) That inspite of the overwhelming evidence adduced to the Committee that *Mr. Ben Mogaka* acquired substantial amount of Government land belonging to KARI in Kitale, the latter vehemently denied ownership of any land thus committing perjury.

(iv) That names of several relatives of senior Government officials and companies were used to acquire KARI land in order to camouflage the true identities of the beneficiaries.

Lower Station

The Committee was informed as follows:-

(i) That the allottees of the lower station are as follows:-

Name	Size
1. Francis Ewaton Achuka (Sitting M.P.)	20 acres
2. Japhet Lotukoi Ekidor (former M.P.)	20 "
3. Silas Misoi Yego (Bishop AIC, Eldoret)	20 "
4. Francis Polis Lotodo (Minister)	20 "
5. D.D. Afande (former Amb. and PS)	20 "
6. Nicholas K. Mberia (former PC, Eastern)	20 "
7. Samuel Moiben (former Nominated M.P.)	20 "
8. J.K. Soi (former OCPD, Kitale)	20 "
9. David K. Muthoka (C/E, EPZ)	20 "
10. Wilfred Ndolo (former DC)	20 "
11. Lawrence Sambai Rotich	20 "
12. T.K. Tuwei (Director of Agriculture)	50 "
13. A.K. Cherwon (Director of Land Adjudication)	50 "
14. Joseph Koech Juma	20 "

(ii) That the purported allocations were done under circulars emanating from the then Head of Public Service/Secretary to the Cabinet, *Mr. Joseph arap Leting* and the then Rift Valley Provincial Commissioner, the late *Ishmael Chelang'a.*

(iii) That the title deeds for the land allocated had been issued and that names of only two allottees could not be traced.

(iv) That on the strength of the circular, the land was converted into a settlement scheme by the Land Adjudication and Settlement Department.

The Committee observed the following with concern:-

(i) That KARI land was excised and allocated to individuals based on circulars allegedly issued by the then Head of Public Service/Secretary to the Cabinet and the then Rift Valley Provincial Commissioner. However no circulars were made available to the Committee for scrutiny.

(ii) That the excision and acquisition of KARI land was done in contravention of existing land Acts.

(iii) That the Commissioner of Lands was reluctant to establish the names of the beneficiaries of two unaccounted for plots.

Limuru

The Committee was informed as follows:-

- That the following were allocated land belonging to KARI in Limuru on diverse dates.

(i) Dr. J. Kiano - 23.2 hectares
(ii) Rtd. Maj. Gen. D.N. Gichuru - 12.14 hectares
(ii) Renege P. Project Ltd - 20.50 hectares
(iv) Mrs. R. Karanja - 10.00 hectares

- That as a result of these allocations the Institute's research activities have been adversely affected as follows.

(i) Lack of adequate land to conduct research particularly breeding.

(ii) Lack of adequate land to carry seed multiplication.

(iii) Siltation of dam due to cultivation and deforestation of the catchment area. Already the filters for the water drips for the floriculture are clogged.

(iv) The quarantine status is now violated. The alienation of the land, spread of diseases and pests is now a major concern for the production of basic seeds.

(v) The Centre is unable to meet its national mandate to provide adequate quantities of basic seeds.

(vi) Revenue generation (A.I.A.) is hampered due to inadequate land for livestock, crops etc.

Limuru

The Committee observed the following with concern:-

- That as a result of these allocations and the resultant environmental degradation by new users, the water catchment area has been affected resulting in the drying up of the dam which is the sole source of water for irrigation being used by KARI.

- That whereas these individuals were allocated the rest of the land, KARI has been left with only 23 hectares of land which is inadequate for quality research activities that is necessary for agricultural production.

- That there were no justifiable grounds for the excision of KARI land and allocation of the same to the said elite and propertied class.

The Committee while noting that the Institute has received five title deeds for KARI Headquarters; NPRC, Molo; NHRC, Thika; NVRC, Muguga; and NARC Muguga; and has further received 23 letters of allotment while ten more parcels of land are being surveyed, nonetheless reiterates its earlier recommendations under paragraph 3 of the 1993/94 (Eighth Public Investments Committee

Report) that:-

Top Station

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

(ii) That the Government should guarantee the security of the employees of both KARI and KEPHIS.

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

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

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

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

Lower Station

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

(ii) The Commissioner of Lands must produce the names of the beneficiaries of the two unaccounted for plots.

Katoloni Farm

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

Limuru (Tigoni)

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

KENYATTA NATIONAL HOSPITAL

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYATTA NATIONAL HOSPITAL FOR THE YEAR ENDED 30TH JUNE, 1996

1. ACCURACY OF THE ACCOUNTS

As in the previous year, Kenyatta National Hospital's Trial Balance as at 30th June, 1996 did not balance. Debit balances exceed credit balances by Kshs.64,880.00 and the difference has been posted to a suspense account. I understand that efforts to identify the causes of the difference in order to make the necessary adjustments continued throughout the year, but the difference remained unidentified as at the time of signing this report.

Until the causes of this difference are identified, explained and corrective action taken, it will not be possible for me to determine the effect it may have on the accuracy of Kenyatta National Hospital's accounts.

The Committee heard the evidence given by the Chief Executive and was concerned that the debit balances exceeded credit balances by Kshs.64,880.00 and that the difference was posted to a Suspense Account.

The Committee further heard that:-

(i) The root cause of the Suspense Account is the manual accounting system used by the institution.

(ii) A Task force was constituted to identify the causes of the Suspense Account with a view to eliminating all the book-keeping errors and getting the balances ultimately reconciled.

(iii) A further analysis of the balances has resulted in a reduction of the Suspense Account to Kshs.31,200.00.

The Committee was informed that in order to address the issue of accuracy of accounts, the Board has embarked on strengthening the accounting system through staff capacity building and training and computerizing the accounting system in the institution with the World Bank funding.

The Committee was also informed that due to various reasons and the complexity of the project, the computerization component was cancelled by the World Bank and that the Board is committed to computerization of the Accounting System from its own Reserves.

The Committee was concerned that due to unnecessary delays, the World Bank cancelled the computerisation component which would have greatly assisted the

institution in eliminating book-keeping errors.

The Committee therefore recommends that the Chief Executive should reconcile the outstanding suspense account of Kshs.31,200.00 in order to ensure that in future Kenyatta National Hospital's accounts are accurate.

The Committee further recommends that the Chief Executive should ensure that the computerization of the Accounting system is done without further delay.

2. FIXED ASSETS

Included in the Fixed Assets figure of Kshs.1,760,363,033.00 in the Balance Sheet are assets valued at Kshs.139,049,827.50 in respect of Land and Buildings inherited from the Ministry of Health. As mentioned in the Previous year's report, Kenyatta National Hospital has not yet acquired documents of title for these assets and I am therefore still unable to ascertain the ownership of such property.

The Committee heard the evidence given by the Chief Executive that a Fixed Assets figure of Kshs.1,760,363,033.00 include assets valued at Kshs.139,047,827.50 in respect of land buildings inherited from the Ministry of Health and for which no titles have been acquired.

The Committee was informed that:-

(i) The mapping of the entire Kenyatta National Hospital land is now completed and it is anticipated that the Certificate of Title Maps will be ready in due course.

(ii) In the course of demarcation and surveying, it was discovered that Kenyatta National Hospital land had been encroached on and the following parcels of land carved out and allocated to private developers.

1.	**LR209/11460**	**-**	**FR214/1264 of 25-09-91 -0.3164 ha**
2.	**LR209/12822**	**-**	**FR288/101 of 30-11-95 - 0.1221 ha**
3.	**LR209/12767**	**-**	**FR284/179 of 29-09-95 - 0.2260 ha**
4.	**LR209/13139**	**-**	**FR310/181 of 01-11-96 - 0.0217 ha**

(iii) The Board has written to the Commissioner of Lands objecting the irregular allocation of 0.6862 ha and requesting that the allocation be revoked.

(iv) The Commissioner of Lands has written to the private developers with a view to repossessing the said parcels of land and reinstate them to Kenyatta National Hospital and that the Chief Land Registrar has been instructed to place a caveat against all the affected parcels.

(v) The Commissioner of Lands has indicated that deed plans for the following parcels of land are ready and Title Deeds would be issued in due course:-

(a) LR 209/13979 measuring 0.3309 Ha for Mortuary
(b) LR 209/13979 measuring 0.3462 Ha for Mortuary
(c) LR 209/13978 measuring 2.544 Ha for recreational purposes

The Committee was further informed that preparation of Title for plot L.R. No.209/13984 measuring 45.19 Ha has been suspended following a dispute with the Kenya Enrolled Nurses Association and that the Board has contributed approximately 41.9 x 33.68 metres of its land to Nairobi Hospice.

The Committee noted that preparation of the title for plot LR.No.209/13984 has been suspended due to the dispute of ownership between Kenyatta National Hospital and Kenya Enrolled Nurses Association.

The Committee was concerned that 0.6862 ha of land belonging to Kenyatta National Hospital were irregularly allocated to private developers thereby denying the Hospital room for future expansion.

The Committee recommends that:-

(i) The following parcels of land carved out of the Kenyatta National Hospital land and irregularly allocated to private developers should be revoked and revert to the Hospital.

(a) LR. 209/11460
(b) LR. 209/13139

(ii) The Chief Executive should liaise with the Commissioner of Lands with a view to ensuring that titles are issued for the Hospital's parcels of land.

(iii) The parent Ministry should amicably resolve the dispute between Kenyatta National Hospital and the Kenya Enrolled Nurses Association in respect of plot L.R. 209/13984 with a view to processing title deeds.

KENYATTA NATIONAL HOSPITAL

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYATTA NATIONAL HOSPITAL FOR THE YEAR ENDED 30TH JUNE, 1997

FIXED ASSETS

Included in the Fixed Assets figure of Kshs.1,670,310,933 are assets valued at Kshs.139,049,827.50 in respect of land and buildings inherited from the Ministry of Health. As mentioned in the previous years' reports, Kenyatta National Hospital has not yet acquired documents of title for these assets and I am therefore still unable to ascertain the ownership of such property.

The Committee heard the evidence given by the Chief Executive that a Fixed Assets figure of Kshs.1,760,363,033.00 include assets valued at Kshs.139,047,827.50 in respect of land buildings inherited from the Ministry of Health and for which no titles have been acquired.

The Committee was informed that:-

(i) The mapping of the entire Kenyatta National Hospital land is now completed and it is anticipated that the Certificate of Title Maps will be ready in due course.

(ii) In the course of demarcation and surveying, it was discovered that Kenyatta National Hospital land had been encroached on and the following parcels of land carved out and allocated to private developers.

1.	**LR209/11460**	**-**	**FR214/1264 of 25-09-91 -0.3164 ha**
2.	**LR209/12822**	**-**	**FR288/101 of 30-11-95 - 0.1221 ha**
3.	**LR209/12767**	**-**	**FR284/179 of 29-09-95 - 0.2260 ha**
4.	**LR209/13139**	**-**	**FR310/181 of 01-11-96 - 0.0217 ha**

(iii) The Board has written to the Commissioner of Lands objecting the irregular allocation of 0.6862 hectares and requesting that the allocation be revoked.

(iv) The Commissioner of Lands has written to the private developers with a view to repossessing the said parcels of land and reinstate them to Kenyatta National Hospital and that the Chief Land Registrar has been instructed to place a caveat against all the affected parcels.

(v) The Commissioner of Lands has indicated that deed plans for the following parcels of land are ready and Title Deeds would be issued in due course:-

(a) LR 209/13979 measuring 0.3309 Ha for Mortuary

(b) LR 209/13979 measuring 0.3462 Ha for Mortuary
(c) LR 209/13978 measuring 2.544 Ha for recreational purposes

The Committee was further informed that preparation of Title for plot L.R. No.209/13984 measuring 45.19 Ha has been suspended following a dispute with the Kenya Enrolled Nurses Association and that the Board has contributed approximately 41.9 x 33.68 metres of its land to Nairobi Hospice.

The Committee noted that preparation of the title for plot L.R. No.209/13984 has been suspended due to the dispute of ownership between Kenyatta National Hospital and the Kenya Enrolled Nurses Association.

The Committee was concerned that 0.6862 ha of land belonging to Kenyatta National Hospital were irregularly allocated to private developers thereby denying the Hospital room for future expansion.

The Committee reiterates its earlier recommendation under paragraph 2 of the 1995/96 accounts that:-

(i) The following parcels of land carved out of the Kenyatta National Hospital land and irregularly allocated to private developers should be revoked and revert to the Hospital.

(a) LR. 209/11460
(b) LR. 209/13139

(ii) The Chief Executive should liaise with the Commissioner of Lands with a view to ensuring that titles are issued for the Hospital's parcels of land.

(iii) The parent Ministry should amicably resolve the dispute between Kenyatta National Hospital and the Kenya Enrolled Nurses Association in respect of plot L.R. 209/13984 with a view to processing title deeds.

RURAL ELECTRIFICATION SCHEMES

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF RURAL ELECTRIFICATION SCHEMES FOR THE YEAR ENDED 30TH JUNE, 1991

During the year under review, the Schemes made a loss of Kshs.59,353,554.00 (1990 - Kshs.61,669,783.00) thereby bringing the cumulative losses of the Schemes to Kshs.286,815,360 as at 30 June 1991. Although the cumulative losses amounting to Kshs.227,298,728.00 are supposed to be reimbursed by the Government in order to comply with the provisions of the agreement signed on 26 September 1973 between the Kenya Power and Lighting Company Limited and the Government, as far as I am aware, no arrangements have been made by both parties regarding the absorption of the losses.

Subject to the foregoing reservation, in my opinion, the accounts, when read together with the notes thereon, give a true and fair view of the state of affairs of the Schemes as at 30 June 1991 and of its loss and source and application of funds for the year then ended.

The Committee heard the evidence given by the Administrator of the Scheme that except for the funding obtained through the 2% development surcharge on Kenya Power and Lighting Company (KPLC) revenue, no other major funding was received from the Government due to exchequer constraints.

The Committee was informed that:-

(i) In 1999, the net amount outstanding to KPLC of Kshs.717 million from the Schemes inclusive of the accumulated losses as at 30th June, 1998 was considered under the Mutual Cross-Debt exercise between the Government and the KPLC.

(ii) The amount due for reimbursement for 1998/99 of Kshs.1,212 million has been fully reimbursed by the Government to KPLC.

The Committee was also informed that schemes made a loss of Kshs.59,353,554.00 in the year under review and that the loss was mainly attributed to the slow growth in revenue as compared to the rise in operating expenditure due to inflation.

The Committee noted that in 1998 an Act of Parliament established the Rural Electrification Programme Levy chargeable on electricity revenue at 5% intended for financing both capital and recurrent expenditures of the Schemes.

The Committee made the following observations:-

(i) That the Agreement between the Government and Kenya Power & Lighting Company signed in 1973 and which purportedly established the

Rural Electrification Fund (Scheme) under Section 28 of the Exchequer and Audit Act (Cap. 412) was irregular as the said Section does not provide for establishment of Rural Electrification Fund other than the establishment of Local Authority Fund.

(ii) That the Rural Electrification Scheme has been operating without rules and regulations as required by the Exchequer and Audit Act (Cap.412), Sub-section 34(1).

(iii) That the Legal Notice No.96 of 1997 that created the Rural Electrification Programme Levy in 1998 created further confusion by purporting to run the Rural Electrification Fund through a different Act.

(iv) That arising from the unclear formation of the said Fund, its operations has been dogged by ambiguity and its maintenance of books of account has been questionable and irregular resulting in its accounts not being audited since 1995/96 Financial Year.

(v) That the operations of the Fund has been shrouded in mystery and its accountability wanting since the agent (KPLC) collects revenue; identifies, plans, costs and implements the projects; pays itself as an implementing agent; and appoints the auditors of the projects.

(vi) That the membership of Rural Electrification Scheme (Electricity Development Committee) are officers from the Ministry of Energy, Ministry of Finance and the Kenya Power and Lighting Company Ltd.

(vii) That after perusing the Minutes of Rural Electrification Programme Committee meeting from 1990 to 1995, it became clear that rural electrification projects are individual driven as opposed to District Development Committees' recommendations thereby occasioning unequal distribution of the rural electrification projects countrywide.

The Committee recommends that the Government should establish as a matter of urgency, a corporate body under the State Corporations Act (Cap.446) to run rural electrification programme.

The Committee further recommends that the Permanent Secretary, Ministry of Energy should forward the accounts of Rural Electrification Schemes from 1995 - 2000 to the Auditor-General (Corporations) for auditing by 31st March, 2001 and subsequent tabling in Parliament.

RURAL ELECTRIFICATION SCHEMES

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF RURAL ELECTRIFICATION SCHEMES FOR THE YEAR ENDED 30TH JUNE, 1992

During the year ended 30 June 1992, the Schemes made a loss of Kshs.64,582,957.00 (1991 - Kshs.59,353,554.00) thereby bringing the cumulative losses of the Schemes to Kshs.351,398,314.00 as at 30 June 1992. Although the cumulative losses amounting to Kshs.275,417,008.00 are supposed to be reimbursed by the Government in order to comply with the provisions of the agreement signed on 26 September 1973 between the Kenya Power and Lighting Company Limited and the Government, as far as I am aware, no arrangements have been made by both parties regarding the absorption of the losses.

Subject to the foregoing reservation, in my opinion, the accounts when read together with the notes thereon, give a true and fair view of the state of affairs of the Schemes as at 30 June, 1992 and of its loss and source and application of funds for the year then ended.

The Committee heard the evidence given by the Administrator of the Schemes and was informed that except for the funding obtained through the 2% development surcharge on Kenya Power and Lighting Company (KPLC) revenue, no other major funding was received from the government due to exchequer constraints.

The Committee was further informed that:-

(i) In 1999, the net amount outstanding to KPLC of Kshs.717 million from the schemes inclusive of the accumulated losses as t 30 June, 1998, was considered under the Mutual Cross-Debt exercise between the Government and the KPLC.

(ii) The amount due for reimbursement for 1998/99 of Kshs.1,212 million has been fully reimbursed by the Government to KPLC

(iii) The Schemes made a loss of Kshs.64,582,957.00 thereby bringing the cumulative losses of the schemes to Kshs.351,398,314 during the year under review and that this was caused by the slow growth in revenue as compared to the rise in operating expenditure due to inflation.

The Committee noted that in 1998 an Act of Parliament established the Rural Electrification Programme Levy chargeable on electricity revenue at 5% intended for financing both capital and recurrent expenditure of the schemes.

The Committee made the following observations:-

(i) That the Agreement between the Government and Kenya Power &

Lighting Company signed in 1973 and which purportedly established the Rural Electrification Fund (Scheme) under Section 28 of the Exchequer and Audit Act (Cap.412) was irregular as the said Section does not provide for establishment of Rural Electrification Fund other than the establishment of Local Authority Fund.

(ii) That the Rural Electrification Scheme has been operating without rules and regulations as required by the Exchequer and Audit Act (Cap.412), Sub-section 34(1).

(iii) That the Legal Notice No.96 of 1997 that created the Rural Electrification Programme Levy in 1998 created further confusion by purporting to run the Rural Electrification Fund through a different Act.

(iv) That arising from the unclear formation of the said Fund, its operations has been dogged by ambiguity and its maintenance of books of account has been questionable and irregular resulting in its accounts not being audited since 1995/96 Financial Year.

(v) That the operations of the Fund has been shrouded in mystery and its accountability wanting since the agent (KPLC) collects revenue; identifies, plans, costs and implements the projects; pays itself as an implementing agent; and appoints the auditors of the projects.

(vi) That the membership of Rural Electrification Scheme (Electricity Development Committee) are officers from the Ministry of Energy, Ministry of Finance and the Kenya Power and Lighting Company Ltd.

(vii) That after perusing the Minutes of Rural Electrification Programme Committee meeting from 1990 to 1995, it became clear that rural electrification projects are individual driven as opposed to District Development Committees' recommendations thereby occasioning unequal distribution of the rural electrification projects countrywide.

The Committee recommends that the Government should establish as a matter of urgency, a corporate body under the State Corporations Act (Cap.446) to run rural electrification programme.

The Committee further recommends that the Permanent Secretary, Ministry of Energy should forward the accounts of Rural Electrification Schemes from 1995 - 2000 to the Auditor-General (Corporations) for auditing by 31st March, 2001 and subsequent tabling in Parliament.

RURAL ELECTRIFICATION SCHEMES

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF RURAL ELECTRIFICATION SCHEMES FOR THE YEAR ENDED 30TH JUNE, 1993

During the year ended 30 June 1993, the Schemes made a loss of Kshs.69,219,073.00 (1992 - Kshs.64,582,957.00) thereby bringing the cumulative losses of the Schemes to Kshs.420,617,388.00 as at 30 June 1993. Although the cumulative losses amounting to Kshs.327,286,380.00 are supposed to be reimbursed by the Government in order to comply with the provisions of the agreement in order to comply with the provisions of the agreement signed on 26 September 1973 between the Kenya Power and Lighting Company and the Government, as far as I am aware, no concrete arrangements have been made by the parties regarding the absorption of the losses.

Subject to the foregoing reservation, in my opinion, the accounts, when read together with the notes thereon, give a true and fair view of the state of affairs of the Schemes as at 30 June 1993 and of its loss and source and application of funds for the year then ended.

The Committee heard the evidence given by the Administrator of the schemes and was informed that except for the funding obtained through the 2% development surcharge on Kenya power and Lighting Company (KPLC) revenue, no other major funding was received from the Government due to exchequer constraints.

The Committee was further informed that:-

(i) In 1999, the net amount outstanding KPLC of Kshs.717 million from the schemes inclusive of the accumulated losses as at 30th June, 1998, was considered under the mutual cross-Debt exercise between the Government and the KPLC.

(ii) The amount due for reimbursement for 1998/99 of Kshs.1,212 million has been fully reimbursed by the Government to KPLC.

(iii) The Schemes made a loss of Kshs.69,219,073.00 thereby bringing the accumulative losses of the schemes to Kshs.420,617,388 during the year under review and that this was attributed to slow growth in revenue as compared to the rise in operating expenditure due to inflation.

The Committee noted that in 1998 an Act of Parliament established the Rural Electrification Programme Levy chargeable on electricity revenue at 5% intended for financing both capital and recurrent expenditures of the schemes.

The Committee made the following observations:-

(i) That the Agreement between the Government and Kenya Power & Lighting Company signed in 1973 and which purportedly established the Rural Electrification Fund (Scheme) under Section 28 of the Exchequer and Audit Act (Cap. 412) was irregular as the said Section does not provide for establishment of Rural Electrification Fund other than the establishment of Local Authority Fund.

(ii) That the Rural Electrification Scheme has been operating without rules and regulations as required by the Exchequer and Audit Act (Cap.412), Sub-section 34(1).

(iii) That the Legal Notice No.96 of 1997 that created the Rural Electrification Programme Levy in 1998 created further confusion by purporting to run the Rural Electrification Fund through a different Act.

(iv) That arising from the unclear formation of the said Fund, its operations has been dogged by ambiguity and its maintenance of books of accounts has been questionable and irregular resulting in its accounts not being audited since 1995/96 Financial Year.

(v) That the operations of the Fund has been shrouded in mystery and its accountability wanting since the agent (KPLC) collects revenue; identifies, plans, costs and implements the projects; pays itself as an implementing agent; and appoints the auditors of the projects.

(vi) That the membership of Rural Electrification Scheme (Electricity Development Committee) are officers from the Ministry of Energy, Ministry of Finance and the Kenya Power and Lighting Company Ltd.

(vii) That after perusing the Minutes of Rural Electrification Programme Committee meeting from 1990 to 1995, it became clear that rural electrification projects are individual driven as opposed to District Development Committees' recommendations thereby occasioning unequal distribution of the rural electrification projects countrywide.

The Committee recommends that the Government should establish as a matter of urgency, a corporate body under the State Corporations Act (Cap.446) to run rural electrification programme.

The Committee further recommends that the Permanent Secretary, Ministry of Energy should forward the accounts of Rural Electrification Schemes from 1995 - 2000 to the Auditor-General (Corporations) for auditing by 31st March, 2001 and subsequent tabling in Parliament.

KENYA MEDICAL RESEARCH INSTITUTE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA MEDICAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE, 1997

1. FIXED ASSETS

The balance Sheet Fixed Assets figure of Kshs.445,594,655 as at 30 June 1997 excluded undetermined value of land occupied by Kenya Medical Research Institute Headquarters, the Medical Research Centre, land along Langata Road in Nairobi, Kwale Centre and Taveta Centre. Further, a permanent building has been erected on the land along Langata Road Plot No.LR 115810/164 by a Government Department thus making the ownership of the plot by KEMRI uncertain. KEMRI as in the past, has explained that the construction of the permanent building by the Government on their land is being sorted out. The fixed assets are therefore, understated to the extent of the value of land excluded from these accounts.

The Committee heard the evidence given by the Chief Executive and was informed that the Institute's Balance Sheet Fixed Assets figure of Kshs.445,594,655 excludes the undetermined value of land at various sites and that a Government Department has erected a Permanent building on one of them along Langata Road.

The Committee was informed that:

(i) <u>Institute's Headquarters</u>

The Institute has obtained the title deed for the land on which its Headquarters is located and the Government Chief valuer has been approached to assign a value for inclusion in subsequent Balance Sheet.

(ii) <u>Medical Research Centre</u>

The Committee set up by the Office of the President to look into the issue of land ownership at Kenyatta National Hospital area has completed its work and is currently pursuing the issuance of title deeds to the various institutions in the area.

(iii) <u>Land along Langata Road</u>

Letter of allotment Reg.No.115810/68 of 26th July, 1999 has been issued by the Commissioner of lands awaiting the issue of a title deed.

(iv) **Kwale Centre**

The Institute is awaiting the issue of a letter of allotment by the Commissioner of Lands.

(v) **Taveta Centre**

Letter of allotment Ref.No.115810 of 19th May, 1999 has been issued by the Commissioner of lands awaiting the issue of a title deed.

The Committee reiterates its earlier recommendation under paragraph I of 1995/96 that the Chief Executive should ensure that title deeds are obtained for all parcels of land in the institute's possession and their value incorporated into the Balance Sheet by 30th June, 2000.

2. STAFF HOUSING PROJECT

In my previous year's report reference was made to the unsatisfactory manner in which the Institute handled a staff housing project on plot No. LR.209/106683, Mbagathi Road, Nairobi which was estimated in 1990 to cost Kshs.165 million. The Institute entered into an agreement to purchase the plot including development thereon without any budgetary provision. Consequently, the institute was unable to make regular payments as scheduled in the agreement. During 1993/94 financial year, the contractor abandoned the project unfinished while the Institute had incurred expenditure totalling Kshs.101,727,177 on it. The project which was expected to be completed on 24th February, 1991 is at a standstill. Moreover, the processing of the title documents for this project has still not been finalized.

The Committee heard the evidence given by the Chief Executive that the Institute entered into an agreement for a project which was not conceived and executed in accordance with the requirements of the State Corporations Act.

The Committee was informed that:-

(i) **The staff housing project on Mbagathi Road, Nairobi which was expected to be completed on 24th February, 1991 stalled after the Contractor abandoned it during 1993/94 financial year due to lack of regular payments by the Institute as scheduled in the agreement.**

(ii) **The Institute had incurred expenditure totalling Kshs.101,727,177.00 by the time the project stalled.**

(iii) **Following discussions with the Parent Ministry, the Institute was advised to include funds for completion of the project in its Draft Estimates but due to the unfavourable economic situation, no provision has been made in the Government Estimates.**

(iv) The developer M/s Cyperr Enterprises Ltd using the title documents of the land on which the development was being undertaken, borrowed funds from National Bank of Kenya which had initially grown to Kshs.313 million. Treasury paid Kshs.280 million leaving a balance of Kshs.33 million.

(v) The Government has decided to pay off the National Bank of Kenya loan and to complete the project. Discussions are underway between Treasury and National Bank to determine the loan amount to be paid to the Bank.

(vi) M/s Tuck Ltd who claimed to have supplied materials/services for the development of this project, purportedly obtained a court order which resulted in the confiscation of vehicles belonging to the Institute. Thereafter, M/s Tuck Ltd was paid Kshs.27 million in order to release the vehicles.

(vii) The Directors of Cyper Enterprises Limited were *Hon. S. Jirongo and Ms A. Chemtai while the proprietor of Tuck Limited was Mr. Phillip Moi.* A dispute had arisen between the developer and the Institute over the completion of the project.

The Committee noted the following:-

(i) KEMRI entered into a contract with a developer without any feasibility study and proper budgetary provisions. The project was therefore ill conceived.

(ii) The implementation of the project was so poorly handled that it resulted into enormous escalation of costs leaving the public heavily indebted.

(iii) The project was approximately 70% complete.

(iv) Due to abandonment, the project has suffered vandalism and deterioration.

(v) M/s Tuck Limited was contracted by the developer M/s Cyper Enterprises Ltd and there was no legal contract between M/s Tuck Limited and the Institute to justify confiscation of the Institute's vehicles which led to payment of Kshs.27.5 million by the Institute.

The Committee recommends the following:-

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

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

(iii) **Treasury should expedite the finalisation of its discussion with the National Bank of Kenya in respect of the payment of the loan so that no further interest accrues.**

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

(v) **The Permanent Secretary of the Parent Ministry should ensure that the Government commences works to complete the Housing project.**

The Committee further recommends that the Treasury should ensure that the Permanent Secretary, Ministry of Health pays the outstanding amount in respect of the Housing project direct to the National Bank of Kenya.

3. ABANDONED PROJECT

As also mentioned in the report for 1995/96, the project at Alupe in Busia District, contracted out in 1987 by both the Institute and the Kenya Trypanosomiasis Research Institute at a price of Kshs.28,785,039 has been abandoned. At the time of abandonment the project was thirty seven percent (37%) complete for which the Institute had incurred a total expenditure of Kshs.5,375,472. A review of the project during the year 1996/97 revealed that as at 30 June 1997 no action had been taken to rehabilitate the project and there were signs of further deterioration on the completed works.

The Committee heard the evidence given by the Chief Executive that the Institute jointly with Kenya Trypanosomiasis Research Institute (KETRI), awarded a contract for a project which was later abandoned after it had cost the Institute Kshs.5,375,472.00.

The Committee was informed that:-

(i) **KETRI was responsible for co-ordination of the development of this project.**

(ii) **In the 1996/97 Government budget, a provision of K£195,370 was made towards partial completion of the project but due to Government cut backs on expenditure, the funds were never released.**

The Committee observed with concern that this project was implemented without proper agreement between KEMRI and KETRI and was consequently abandoned resulting into a possible loss of Kshs.5,375,472.

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

(i) **The Chief Executive should endeavour to complete the project in order to avoid further escalation of building costs.**

(ii) The Chief Executive should always ensure that a proper agreement is signed before the Institute is involved in a joint project with another party.

4. NATIONAL HOSPITAL INSURANCE STAMPS

Between August 1994 and April 1995, an employee who maintained NHIF cards and stamps defrauded the Institute of Kshs.1,107,450 worth of stamps purchased from NHIF. The employee absconded when the theft was discovered and although a report was made to the police, he has not been apprehended and no recovery has been made.

The Committee heard the evidence given by the Chief Executive that between August 1994 and April 1996, an employee Mr. Absolom M'Mbwanga Agavihi defrauded the Institute of Kshs.1,107,450.00 worth of stamps purchased from NHIF.

The Committee was informed that the matter has been reported to the police for investigations and that the investigations are not yet complete.

The Committee was also informed that better control system has been put in place to avoid a recurrence of the same.

The Committee was concerned that despite its previous recommendation, the Office of the Attorney-General has not, to date, prosecuted the suspect.

The Committee therefore reiterates its earlier recommendations under paragraph 4 of the 1995/96 accounts that:-

(i) The Attorney-General should ensure that the suspect Mr. Absolom M'Mbwaga Agavihi is arrested and prosecuted immediately.

(ii) The Chief Executive should apply strict internal financial controls at the Institute to avoid the recurrence of such a fraud.

KENYA FORESTRY RESEARCH INSTITUTE

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

1. FINANCIAL POSITION

The Income and Expenditure Account for the year under review reflects excess expenditure over income of Kshs.55,843,550 to Kshs.93,956,065 up from Kshs.46,509,764 reflected in 1993/94. It is not clear what the Institute is doing to correct this situation.

The Committee heard the evidence given by the Chief Executive that the institute had excess expenditure over income amounting to Kshs.55,843,550 which resulted from the depreciation charge on fixed Assets and which had no effect on the cash flow.

The Committee recommends that the Chief Executive should liaise with the parent Ministry and Treasury with a view to getting more grants to meet the accumulated deficits. The Committee further recommends that the Chief Executive should explore other areas for generating more revenue to avoid incurring deficits.

2. FIXED ASSETS

The fixed assets figure of Kshs.1,046,335,889 shown in the Balance Sheet does not include undetermined value of unsurveyed land vested in the Institute. I am informed that the Institute is in the process of having the land surveyed and valued but until the exercise is complete and such value included in the Balance Sheet, I am unable to confirm that the assets are fairly stated in the accounts for the year under review.

The Committee heard the evidence given by the Chief Executive that the fixed Assets figure of Kshs.1,046,335,889 is underestimated due to undermined value of the institute's land.

The Committee was however, informed that the institute has obtained title deeds for three parcels of land totalling 304 hectares at Muguga which have been valued at Kshs.126,704,500 and will be included in the 1998/99 final Accounts.

The Committee further heard that survey of three parcels of land in Kitui Centre has been completed and the documents are being processed by the Director of Surveys while the Institute is in the process of asking the parent Ministry to transfer some research land in Forest Reserves to KEFRI.

The Committee recommends that the Chief Executive should ensure that all the land owned by the Institute is valued and included in the books of account.

The Committee further recommends that the Chief Executive should ensure that Title Deeds are obtained for all parcels of land belonging to the Institute by 31st December, 2000.

KENYA FORESTRY RESEARCH INSTITUTE

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

1. FINANCIAL POSITION

The income and Expenditure Account for the year under review reflects an excess expenditure over income of Kshs.59,088,201 (1994/95 Kshs.55,843,550) thereby bringing the adjusted accumulated excess expenditure over income to Kshs.162,728,872 (1994/95 Kshs.93,956,065) as at 30 June, 1996. It is still not clear how the institute intends to deal with the deteriorating financial situation.

The Committee heard the evidence given by the Chief Executive that there was an operating deficit of Kshs.59,088,201 in the year under review which arose from the depreciation charge on fixed Assets of Kshs.60,604,122 and given that the charge was non-cash it had no effect on the Institute's cash flow.

The Committee further heard that the Institute had undertaken several steps including creating a service unit to generate more revenues for offsetting deficits.

The Committee therefore reiterates its recommendations under paragraph 1 of the 1994/95 Accounts that the Chief Executive should liaise with the parent Ministry and Treasury with a view to getting more grants to offset the accumulated deficits and to explore other areas for generating more revenue to avoid incurring deficits.

2. FIXED ASSETS

The Balance sheet fixed assets figure of Kshs.1,037,290,351 is understated by the undetermined value of the land on which most of the Institute's buildings have been constructed. These accounts are subject to adjustments that may be necessary when the values and ownership of the land are ascertained.

The Committee heard the evidence given by the Chief Executive and noted that as was the case in the previous year, the fixed Assets figure of the institute was underestimated due to undetermined value of its land.

The Committee further heard that the institute obtained title deeds for three parcels of land at Muguga valued at Kshs.126,704,500 and that the amount will be included in the 1998/99 Final Accounts.

The Committee was also informed that three parcels of land in Kitui Centre have been surveyed while the parent Ministry has been asked to transfer some research land in Forest Reserves to the institute.

The Committee reiterates its earlier recommendations under paragraph 2 of the 1994/95 accounts that the Chief Executive should ensure that all the land owned by the institute is valued and included in the book of accounts.

The Committee further recommends that the Chief Executive should ensure that title deeds are obtained for all parcels of land belonging to the institute by 31st December, 2000.

3. PENSION FUND

Among the creditors is Pension Fund which is owed a total of Kshs.14,737,466 (1994/95 Kshs.11,982,897) accumulated since 1990. Although the Fund is being administered independently by Barclays Bank Trust, it is not clear when the Institute will pay over the outstanding amount which seems to have been borrowed by the Institute to finance past years operating overheads.

The Committee heard the evidence given by the Chief Executive that the pension Fund was owed Kshs.14,737,466 by the Institute and that a total of Kshs.9,076,438 has so far been remitted to the Fund.

The Committee was informed that in order to clear the outstanding amount of Kshs.5,661,028, the Board of Management has allocated Kshs.3 million to pay the arrears in the 1999/2000 Financial year.

The Committee recommends that the Chief Executive should continue to remit the outstanding amount due to the pension fund until the total arrears of Kshs.5,661,02 are cleared.

KENYA FORESTRY RESEARCH INSTITUTE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA FORESTRY RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE, 1997

1. FINANCIAL POSITION

The Institute continued to experience liquidity problems during the year under review. The operating deficit of Kshs.46,200,026 for the year ended 30 June 1997 brought the adjusted accumulated deficit to Kshs.220,281,874 as at 30 June 1997. The Balance Sheet also reflects a negative working capital of Kshs.9,223,006.

The Committee heard the evidence given by the Chief Executive and noted with concern that the Institute had an operating deficit of Kshs.46,200,026.00 in the year under review which arose from the depreciation charge on Fixed Assets of Kshs.52,262,368.00

The Committee further heard that the Institute experienced a working capital shortfall of Kshs.9,223,006.00 which will be reduced as the arrears of unremitted pension deductions are cleared.

The Committee noted that the 1997/98 draft accounts show a positive working capital of Kshs.1,120,433.00.

The Committee therefore reiterates its earlier recommendations under paragraphs 1 of the 1994/95 and 1995/96 Accounts respectively that the Chief Executive should liaise with the parent Ministry and Treasury with a view to getting more grants to offset the accumulated deficits. The Committee further recommends the Chief Executive should ensure that all the Statutory obligations are met as and when they fall due.

2. FIXED ASSETS

Included in the figure of fixed assets is an amount of Kshs.15,462,024 in respect of land. The value of Kshs.15,462,024 is not supported by a professional valuation and is subject to adjustment when proper valuation is done. There are other pieces of land vested in the Institute outside the Muguga complex whose undermined value was not included in these accounts. Further, the buildings figure of Kshs.804,780,029 shown in note 2 to the accounts is at variance with fixed assets register which shows a figure of Kshs.711,465,051. In the circumstances, the fixed assets figure of Kshs.987,266,072 shown in the Balance Sheet may not be accurate.

The Committee heard the evidence given by the Chief Executive and noted that as was the case in the two previous years, the Fixed Assets figure of the Institute was underestimated due to undetermined value of its land.

The Committee further noted that the Institute has obtained title deeds for three parcels of land at Muguga valued at Kshs.126,704,500 and that three other parcels of land in Kitui Centre have been surveyed.

The Committee was informed that in order to save funds for future replacement of the Assets, the Board of management has, in the 1999/2000 Financial year, allocated funds for a Sinking Fund Account to be financed from the Exchequer Grants.

The Committee reiterates its earlier recommendations under paragraph 2 of the 1994/95 and 1995/96 Accounts respectively that the Chief Executive should ensure that all the land owned by the Institute is valued and included in the books of accounts.

The Committee further recommends that the Chief Executive should ensure that title deeds are obtained for all parcels of land belonging to the Institute by 31st December, 2000.

MUHORONI SUGAR COMPANY

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

1.0 FINANCIAL POSITION

During the year ended 30th June 1994, the company incurred a loss of Kshs.200,324,870 (1992/93 Kshs.149,940,788) thereby bringing the accumulated losses to Kshs.939,633,894 as at 30th June, 1994. The Balance Sheet as at the same date reflects a negative working capital of Kshs.592,753,904 (1992/93 Kshs.423,527,680). The company was technically insolvent and was unable to meet its financial obligations when due. It was unable to pay accrued interest of Kshs.160,641,190 as well as other creditors. The company continued to rely on a bank overdraft which stood at Kshs.284,489,979 (against approved limit of Kshs.150,000,000). It has attributed its precarious financial position to insufficient cane supply as it crushed only 207,363 tons of cane against planned tonnage of 324,699, producing 15,678 tons of sugar. The company's accounts for the year have, therefore, been prepared on a going concern basis on the assumption that the company will continue to receive the necessary support from the Government, its Bankers and Creditors.

The Committee heard the evidence given by the Chief Executive that the Company incurred a loss of Kshs.200,324,870 thereby bringing the accumulated losses to Kshs.939,633,894 as at 30th June, 1994 and that this was attributable to poor factory condition and shortage of cane both being a consequence of lack of funds.

The Committee was informed that:-

(i) Due to liquidity problems, the Company was forced to use a bank overdraft to finance both short term and long term requirements.

(ii) Despite the availability of the overdraft facilities, the normal annual plant maintenance could not be carried out during the year under review resulting in a loss in production of 11.109 metric tonnes of sugar.

(iii) Through Sugar Development Fund loans, the zone now has 509,200 tonnes of cane which can sustain the plant operations.

(iv) The Sugar Development Fund has approved a loan of Kshs.450 million which will be used to improve the plant efficiency.

The Committee was concerned that despite huge injection of funds amounting to Kshs.534 million from the Sugar Development Fund, the efficiency of the plant has not improved and the Company has continued to incur losses.

The Committee recommends that:-

(i) The Government should ensure that the Company operates commercially by easing certain restriction with regards to employment terms.

(ii) The Government should strengthen the management of the Company by recruiting qualified personnel.

(iii) The Board of management of Muhoroni Sugar Company should be in full control of the management of funds advanced from Kenya Sugar Development including tendering and procurement of services and goods.

(iv) The Director of Kenya Anti-Corruption Authority should investigate the manner in Kshs.534 million advanced to the Company from the Sugar Development Fund was utilised.

2. LOSS IN GROSS PROFITS

2.1. Price Differential

Due to acute cane shortage caused by inordinate planning on the part of management, the company bought 183,937 tons of cane from non-contracted farmers at Kshs.1,449.16 per ton against the recommended Government price of Kshs.1,250 per ton thereby incurring an excess expenditure on cane purchases by Kshs.36,632,892. The excess expenditure aggravated significantly the company's adverse financial position but the management has justified the high price on the premise that the factory could have otherwise not been sustained.

The Committee heard the evidence given by the Chief Executive that the company bought 183,937 tons of cane from non-contracted farmers at Kshs.1,250.00 per ton and that suppliers were paid outside the Government recommended rates of transport as the cane was sourced from outside the operation zone of the company.

The Committee was informed that had the company not bought non-contracted cane outside its zone, the plant would have been shut down due to lack of raw material.

The Committee recommends that the company should, in future, plan the engagement of contracted farmers to avoid cane shortage and resultant price differential.

2.2. Factory Losses

During the year the factory received and crushed 207,363 tonnes of cane and only managed a sugar recovery rate of 7.56% against the normal budgeted rate of 8.25% which would have produced 17,109 tonnes of sugar. There was therefore, unrecovered sugar of 1,431 tonnes worth Kshs.39,238,020. The low sugar recovery rate similarly compounded the company's adverse financial position. Although the company has

explained, as in previous years, that the under recovery of sugar is occasioned by inefficiency in cane crushing machine which has led to substantial quantity of sugar being lost through bagasse, there is no evidence that the company will soon find a solution.

The Committee heard the evidence given by the Chief Executive that the company did not carry out annual plant maintenance during the year under review due to lack of funds thereby adversely affecting the plant efficiency.

The Committee was informed that in order to address the question of inefficiency in cane crushing, the Sugar Development Fund has approved Kshs.450 million as a loan for maintenance of the factory and that stoppage for six weeks is planned from mid-April to the end of May for plant maintenance.

The Committee was concerned that despite loan advancement from the Sugar Development Fund, the company has continued to make losses attributed to the poor state of the plant.

3. DEFERRED DEBTS AND LOANS

The Company's deferred debts and loans for the cane development amounted to Kshs.171,150,560 as at 30th June, 1994 (1992/93 - Kshs.108,653,656). These debts are normally recoverable from the proceeds of cane delivered by the farmers. Among the deferred debtors are farmers who owe the company Kshs.86,140,192 dating back to the years between 1982 and 1992. this category of debtors has not delivered cane to the company for many years and their land has since gone fallow thus rendering recovery of the debts doubtful. The Company has not indicated action taken, if any, to secure payment.

The Committee heard the evidence given by the Chief Executive that farmers with loans dating back to between 1982 and 1992 neglected their farms and left them fallow when the company failed to harvest cane in time.

The Committee was further informed that the said defaulters and those affected by re-zoning of plots have since been identified and the company has been re-investing in these farms and developing cane to ensure that the outstanding loans are recovered.

The Committee noted that the implementation of the programme is expected to succeed given continued assistance from Sugar Development Fund. The Committee further noted that some recoveries have been made. The Committee therefore reiterates its earlier recommendation under paragraph 4 of the 1992/93, Eighth Report, that the Chief Executive should ensure that the deferred debts and loans are recovered from the affected farmers in full.

4. ACCRUED INTEREST

As mentioned in my report for 1992/93, the company assumed that the government would approve the company's proposal to convert the long term loans totalling

Kshs.695,067,040, interest thereon and penalty on excise duty into equity. On the basis of this assumption, the company has not, as in previous years, provided for and accrued the interest on these loans during the year under review. As a result, the loss and liabilities as at 30th June 1994 are understated to the extent of such unaccrued interest.

The Committee heard the evidence given by the Chief Executive that the Company stopped accruing interest on long term loans and excise duty on receipt of the Government assurance that proposals for capital restructuring were being considered and that the matter would be settled in due course.

The Committee was further informed that the Government is in the process of awarding tenders for financial audit of the company as a first step towards restructuring its capital base.

The Committee recommends that the Chief Executive should ensure that the company continue to provide for and accrue interest until capital restructuring is finalised. The Committee also reiterates its earlier recommendation under paragraph 5 of the 1992/93 accounts, Eighth Report, that the Chief Executive and the Company's Board of Directors should liaise with the parent Ministry and Treasury with a view to ensuring that capital restructuring of the company is finalised without further delay.

5. BUDGETARY CONTROL

According to the 1993/94 budget approved by the Board of Directors and Treasury, it was vividly spelt out that the company was not to undertake any capital commitments during the year due to this continued deteriorating financial position.

However, without budgetary provisions and Treasury approval, the company went ahead and acquired a new PABX Telecommunication Exchange System, a Suzuki Vitara S/W vehicle, 6 Kawasaki Baja Motor Cycles, 4 Ford tractors, drilled one bore hole in the estate and refurbished the Managing Director's house. These were acquired at a toal cost of Kshs.17,010,832. Although the Company attributed the expenditure on the exigencies, no satisfactory explanation has been given for not having sought Treasury approval prior to committing the funds.

The Committee heard the evidence given by the Chief Executive that the Company incurred certain expenditure which were capital in nature in order to make some basic company operations to continue although there was no provision for capital expenditure in the year under review.

The Committee was informed that:-

(i) The Company was forced to instal a new telecommunication system following the collapse of the existing one. The Board of Directors' authority was sought and obtained vide Minute No.30/93.

(ii) The Company bought a Managing Director's motor vehicle, Suzuki Vitara,

after the one used by the Managing Director was involved in an accident and became a write-off. The Board of Directors' authority was sought and obtained for incurring Kshs.3.9 million for the purchase of the motor vehicle vide Minute No.18/93.

(iii) **Ford tractors were acquired using Sugar Development Fund loans to facilitate cane haulage which could not reach the factory due to shortage of transport tractors at that time.**

(iv) **Due to acute shortage of houses the management decided to convert some of the guest houses, including the Managing Director's house, into use by staff and had to carry out some repairs thereby incurring expenses.**

The Committee was concerned that the company entered into capital expenditure totalling to Kshs.17,010,832 without prior authority of the parent Ministry and the Treasury.

The Committee recommends that the management must in future seek Treasury approval prior to committing the funds of the company.

The Committee further recommends that the Chief Executive must stick to budgetary approvals made by the Board of Directors and the parent Ministry.

6. PROCUREMENTS

During the year under review, the Company procured goods worth over Kshs.6,664,022 from several suppliers without inviting quotations. The company has however attributed the course of action to suppliers' failure to honour company LPOs due to delayed payment arising from its weak financial position. Consequently the company may not have enjoyed value for money in respect of goods procured in such a manner and this in turn aggravated the already weak financial position.

The Committee heard the evidence given by the Chief Executive that even though the company floated quotations to suppliers, most of them failed to respond to the enquiries as they were aware of the weak financial position of the company.

The Committee was informed that as a result of this state of affairs, the company was forced to deal with willing suppliers inorder to sustain operations.

The Committee noted that following improved financial position of the company, proper procurement procedures have been reinstated.

The Committee recommends that the Chief Executive must strictly stick to the rules and regulations governing the procurement of goods and services.

7. SUPPLIERS' NON DISCLOSURE OF V.A.T. COMPONENT ON PURCHASE INVOICES

The Company procured its factory requirements worth over Kshs.35,343,232 from V.A.T. - eligible suppliers who failed to show the VAT component on their invoices and in the process, the company could not claim such input tax. The company has not satisfactorily explained why it allowed its suppliers to violate this legal requirement which denied the company its financial benefit.

The Committee heard the evidence given by the Chief Executive that the Company purchased goods worth over Kshs.35,343,232 from VAT eligible suppliers who failed to show the VAT component on their invoices thereby denying the company claim on such input tax.

The Committee was further informed that action has since been taken and that VAT element is now being indicated on the suppliers' invoices to enable the company claim VAT on purchases.

The Committee was concerned that the company dealt with suppliers who failed to show the VAT component on their invoices thus violating legal requirement which denied the company financial benefit.

The committee recommends that the Chief Executive should identify the officers who failed to include the VAT component in the purchases and take disciplinary action, including surcharge and/or prosecution.

8. DEBTORS

Included in the Other Debtors' figure of Kshs.24,776,187 is Kshs.1,132,788 still owed by a former managing director. The debt partly resulted from dishonoured cheques and credit cards which can only be regarded as misuse of facilities and privileges. As far as I am aware the former managing director has not made any effort to settle the debt.

The Committee heard the evidence given by the Chief Executive that the company took to court the former Managing Director, Mr. Martin Wena when it became clear that he was making no efforts to settle a debt amounting to Kshs.1,132,788.

The Committee further heard that the court ruled in favour of the company and that bankruptcy proceedings have been instituted against him vide Court Case No.NCC No.16/99.

The Committee recommends that the Chief Executive should ensure that the bankruptcy case against the former Managing Director is followed to its conclusive end.

KENYA BROADCASTING CORPORATION

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA BROADCASTING CORPORATION FOR THE YEAR ENDED 30TH JUNE, 1995

1. FINANCIAL POSITION

The Corporation realised a deficit of Kshs. 1,055,106,710 during the year under review compared to Kshs. 295,410,342 in 1993/94 thereby bringing the cumulative deficit as at 30th June, 1995 to Kshs. 1,644,792,953. The increase of the deficit by Kshs. 759,696,368 or 257% over the previous year is mainly as a result of depreciation of works completed at the end of 1993 and transferred to fixed assets during the year under review.

This action raised depreciation charged from Kshs. 87,928,901 during 1993/94 to Kshs. 843,853,186 during 1994/95. Operating deficit also rose from Kshs. 180,564,210 for the year ended 30th June, 1994 to Kshs. 211,252,524 for the year under review. Creditors figure further rose by Kshs. 94,218,465 from Kshs. 243,762,343 as at 30th June, 1994 to Kshs. 337,980,808 as 30th June, 1995. The Financial position of the Corporation is therefore still weak and the accounts have been prepared on going concern basis assuming continued financial support from the Government and Creditors.

The Committee heard the evidence given by the Chief Executive that the Corporation incurred a deficit of Kshs. 1,055,106,710 during the year under review thereby bringing the cumulative deficit to Kshs. 1,644,792,953 as at 30th June, 1995.

The Committee further heard that the Creditors figure rose by Kshs. 94,218,465 to Kshs. 337,980,808 as at 30th June, 1995.

The Committee was informed that: -

(i) The huge deficit was occasioned by depreciation and interest on OECF loan both totalling Kshs. 1,136,341,265.00

(ii) The increase in Creditors figure of Kshs. 94,218,465 was attributed to Value Added Tax penalties and interest on arrears of approximately Kshs. 45 million.

(iii) Increase power consumption and charges due to the full operation of the ten new medium wave Radio transmitting stations at an approximate cost of Kshs. 10 million per month.

(iv) The Corporations financial position has continued to deteriorate because commercial advertising has remained the main source of financing since the

Government has not allowed the Corporation to collect license fees on the grounds of Public Policy.

The Committee recommends that the Chief Executive should continue to explore other avenues of raising revenue to improve the Corporation's financial position in order to fulfil its loan obligations. The Committee further recommends that the Corporation should exercise strict expenditure control.

2. LOAN SERVICING

As in the case of previous years, the Corporation did not pay interest which fell due for payment in the year on account of Japanese OECF Loan and amounting to Kshs. 165,150,778. This, as in previous years, forced the Treasury to pay the amount on its behalf as the guarantor of the loan. Interest paid by the Treasury on behalf of the Corporation on this loan as at 30th June, 1995 amounted to Kshs. 507,768,301. The Corporation is expected to reimburse the Treasury for such payments but has so far not done so. The Corporation thus owes the Treasury an amount of Kshs. 692,215,236 being Kshs. 507,768,301 paid as interest charges on the OECF Loan plus Kshs. 184.446,935 accrued interest on the amounts so paid by Treasury.

The Committee heard the evidence given by the Chief Executive that the Corporation did not pay interest amounting to Kshs. 165,150,778 on account of Japanese OECF Loan which fell due during the year under review.

The Committee further heard that the Corporations financial inability forced the Treasury to pay the said interest amount on its behalf as the guarantor of the loan thereby bringing the cumulative amount owed to the Treasury by the Corporation to Kshs. 692,215,236 in respect of the said loan as at 30th June, 1995.

The Committee was informed that: -

(i) The justification for borrowing and repayment of OECF loan was based on the Government Commissioned feasibility study which recommended that the radio network would generate revenue from the following and service the said loan: -

(a) Radio Receiving fees at the rate of Kshs. 40.00 per radio set annually.

(b) Radio Receiver license fee at the rate of Kshs. 20.00 annually.

(c) Commercial advertising.

(ii) The Government has not allowed the Corporation to collect license fees to-date on the grounds of Public Policy.

(iii) The Corporation financial position has continued to deteriorate because

commercial advertising has remained the only source of financing.

The Committee was further informed that: -

(i) The Corporation had made a payment of Kshs.22 million to the Treasury towards the OECF Loan interest as at 30th June, 1995.

(ii) The Corporation is negotiating with the Government to consider converting the loans inherited from the former Voice of Kenya into equity and that a Cabinet Paper already prepared in line with this is awaiting Government approval.

The Committee recommends that the Chief Executive should explore other avenues of raising revenue with a view to improving the Corporations financial position to enable it fulfil its loan obligations.

The Committee further recommends that the parent Ministry should follow-up the approval of the Cabinet paper to enable the Corporation to restructure its balance sheet.

3. DEBTORS

The Kshs. 210,938,189 Balance Sheet figure for Debtors includes debts amounting to Kshs. 33,584,591 relating to 1992/93 and earlier years, on which movements as concerns recovering has been negligible mainly because of lack of adequate supporting documents to facilitate enforcement. Seven of the major debtors in this category owed the Corporation Kshs. 27,400,488 as at 30th June 1995. In the absence of adequate supporting documents, substantial portion of these long outstanding debts is unlikely to be recovered. At the date of this report Kshs. 23,207,080 out of the long outstanding figure is still to be recovered, and the Debtors Balance Sheet figure of Kshs. 210,938,189 may therefore not be fairly stated. The Corporation states that efforts are under way to recover the debts.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet figure for debtors include long outstanding debts amounting to Kshs. 33,584,591 whose recoverability has been negligible due to lack of adequate supporting documents to facilitate enforcement.

The Committee was informed that: -

(i) The disappearance of some of the supporting documents was occasioned by the movement of the Corporations Accounts Unit from Jogoo House to Mombasa House.

(ii) The Corporation had recovered Kshs. 22 million thereby reducing the long outstanding debt from Kshs. 55 million in 1993 to Kshs. 33 million in 1995.

The Committee recommends that the Chief Executive should improve the debt recovery machinery and use all means including legal redress to recover all the outstanding debts in full by 30th June, 2000.

4. IMPREST - KSHS. 480,340

In April, 1994, the Corporation issued temporary imprest of Kshs. 100,000 to a top official of its parent Ministry for a Ministerial trip outside the Country. No satisfactory explanation has been given as to why the Corporation gave an imprest for business of the Ministry. Although as at the date of signing this report no evidence has been seen that the imprest has been accounted for, the Kshs. 100,000 is not included in Corporation's schedule for imprests outstanding as at 30th June, 1995. In the circumstances I am not able to confirm that the Kshs. 480,340 Balance Sheet imprests figure is fairly stated.

The Committee heard the evidence given by the Chief Executive that the Corporation issued temporary imprest of Kshs. 100,000.00 to the then Minister for Information and Broadcasting the late Johnstone Makau for a Ministerial trip to Japan without satisfactory explanation.

The Committee further heard that despite lack of evidence that the said imprest had been accounted for the amount had not been included in the Corporations schedule of imprest outstanding as at 30th June, 1995.

The Committee was informed that:-

(i) Since it is the Corporation which had requested the Minister to visit Japan, it had to cater for his expenses. The imprest given to the Minister has since been fully accounted for.

(ii) The amount was not included in the imprest outstanding schedule as at 30th June, 1995 because the Minister was not a member of staff and the money was issued to the Minister as an I.O.U.

(iii) The other imprests were normal staff outstanding imprest which have since been surrendered in full.

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

5. INSURANCE OF PROPERTIES OF THE CORPORATION

Some vehicles, and broadcasting and television equipment used by the Corporation are not insured. The Corporation states that it has not been possible for them to insure the assets because values of the same are not known, and that arrangements are under way for professional valuation to facilitate insurance. Until insurance covers for these vehicles and equipment are obtained, the Corporation continues to use these assets at a great risk.

The Committee heard the evidence given by the Chief Executive that some vehicles and broadcasting and television equipment used by the Corporation were not insured hence the Corporation continues to use these assets at a great risk.

The Committee was informed that: -

(i) It has not been possible for the Corporation to insure the assets because their values are unknown.

(ii) The delay in professional valuation of the assets has been occasioned by the delay in sorting out the ownership of the assets between the Corporation and the Ministry of Information, Transport and Communications.

(iii) Out of a total fleet of 85 Corporation vehicles, only nine (9) vans fitted with broadcasting equipment were not insured.

The Committee recommends that both the Chief Executive and the parent Ministry should expedite the assets ownership exercise to facilitate professional valuation and insurance of the Corporation's assets by 31st December, 2000.

KENYA BROADCASTING CORPORATION

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

1. FINANCIAL POSITION

The Corporation's 1995/96 accounts reflect a deficit of Kshs. 1,096,140,784 (1994/95 – Kshs. 1,055,106,710) which brings the cumulative deficit to Kshs. 2,741,477,264 (1994/95 – Kshs. 1,645,336,480) as at 30th June, 1996. The Corporation was unable to service the interest due and payable on OECF loan amounting to Kshs. 194,427,482 during the year. The Treasury, the guarantor to the loan, had to pay this amount bringing the cumulative interests on this loan paid by Treasury on behalf of the Corporation to Kshs. 702,195,549. Moreover, these payments by Treasury have attracted further interest of Kshs. 363,532,372 payable to Treasury which the Corporation was unable to pay. The above payments by Treasury and the accrued interests were supposed to be shown in the Balance Sheet as current liabilities in accordance with International Accounting Standards. However, the Corporation treated them as long term liabilities which has the effect of understating current liabilities and, therefore, distorting the figure of working capital from a negative of Kshs. 999,232,196 to a positive of Kshs. 66,495,725 as reflected in the Balance Sheet. Evidently, the Corporation's financial position continued to be a weak and its continued effective operation depends largely on the support of the Government.

The Committee heard the evidence given by the Chief Executive that the Corporation incurred a deficit of Kshs. 1,096,140,784 during the year under review thereby bringing the cumulative deficit to Kshs. 2,741,477,264 as at 30th June, 1996.

The Committee was informed that the huge deficit was caused by depreciation on the fixed assets and interest charges on the OECF Loan.

The Committee also heard that the Corporation is negotiating with the Government to consider taking over the OECF Loans inherited from the former Voice of Kenya into equity and that a Cabinet paper, already prepared in line with this, is awaiting Government approval.

The Committee therefore, reiterates its earlier recommendation under paragraph of 1 of the 1994/95 Accounts that the Chief Executive should explore other avenues of raising revenue with a view to improving the Corporation's financial position to enable it fulfil its loan obligations.

The Committee further recommends that the parent Ministry should follow up the approval of the Cabinet paper to enable the Corporation to restructure its Balance Sheet.

2. DEBTORS

The Balance Sheet Trade Debtors figure of Kshs. 200,924,414 was arrived at after making a provision for bad and doubtful debts of Kshs. 6,667,360 from the schedule figure of Kshs. 207,591,774. The debtors figure of Kshs. 207,591,774 shown in the schedule includes an amount of Kshs. 93,676,289 in respect of debts falling under the age of 120 days and over and some of which were not supportable. Unless debt recovery efforts in enhanced and adequate supporting documents maintained the Corporation stands to lose substantial sums due to non-payment by defaulters. In my opinion, the provision of Kshs. 6,667,360 appears inadequate in the present circumstances.

The Committee heard the evidence given by the Chief Executive that the debtors figure of Kshs. 207,591,774 includes an amount of Kshs. 93,676,286 in respect of debts falling under the age 120 days and over and for which some were unsupportable.

The Committee was informed that: -

(i) Legal action was taken on the following defaulters: Kenya Institute of Education (K.I.E) (case No. NRB HCCC 17000/1996); African Broadcasting Network (case No. NRB HCCC 140/1998); Henry Adman (case No. NRB HCCC 2177/1996) and F.M. 3.5 Promotions (case No. NRB HCCC 766/1999).

(iii) The legal action undertaken led to the recovery of Kshs. 10.3 million from the Kenya Institute of Education.

The Committee noted that the Corporation was not acting expeditiously to recover the said debts.

The Committee recommends that the Chief Executive should improve the debt recovery machinery and use all means including legal redress to recover all the outstanding debts in full by 31st December, 2000.

3. INSURANCE OF PROPERTIES OF THE CORPORATION

In my 1994/95 report, reference was made to the insurance of the Corporation's properties. The Balance Sheet Fixed Assets figure of Kshs. 7,472,041,988 is composed of the written down values of plant and machinery, transmitter equipment, studio equipment, O.B. equipment and motor vehicles, among others. A review of the position during the audit revealed that, still, some vehicles and broadcasting and television equipment used by the Corporation were not insured. Until insurance covers for these vehicles and equipment are made, the Corporation continues to use them at a great risk.

The Committee heard the evidence given by the Chief Executive that some vehicles and broadcasting and television equipment used by the Corporation were not insured hence the Corporation continues to use these assets at a great risk.

The Committee was informed that:-

(i) It has not been possible for the Corporation to insure the assets as their values remain unknown.

(ii) The delay in professional valuation of the assets has been occasioned by the delay in sorting out the ownership of assets between the Corporation and the Ministry of Information, Transport and Communications.

(iii) Out of a total fleet of 85 Corporation vehicles, only nine (9) vans fitted with broadcasting equipment were not insured.

The Committee reiterates its earlier recommendation under paragraph 5 of the 1994/95 accounts that both the Chief Executive and the parent Ministry should expedite the asset ownership exercise to facilitate professional valuation and insurance of the Corporation's assets by 31st December, 2000.

KENYA BROADCASTING CORPORATION

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF KENYA BROADCASTING CORPORATION FOR THE YEAR ENDED 30TH JUNE, 1997

1. FINANCIAL POSITION

The Corporation recorded a deficit of Kshs. 1,042,673,134 (1995/96 - Kshs. 1,096,140,784) bringing the adjusted cumulative deficit to Kshs. 3,785,969,823(1995/96 – Kshs. 2,741,477,264) as at 30th June, 1997. As in previous years, the Corporation was unable to service the interest due and payable on OECF guaranteed loan amounting to Kshs. 174,094,156 during the year. The Treasury had to pay this amount bringing the cumulative interest on this loan paid by Treasury on behalf of the Corporation to Kshs 876,289,705. These payments by Treasury have attracted further interest of Kshs. 536,967,192 payable to Treasury which the Corporation was also unable to pay. The above payments by Treasury and the accrued interest totalling Kshs. 1,413,256,897 were wrongly treated and accounted for as long term liabilities in these accounts. Had the Corporation treated them correctly as current liabilities in accordance with the International Accounting Standards, the distorted figures of working capital of Kshs. 114,514,901 as reflected in the Balance Sheet would have been a negative figure of Kshs. 1,298,741,996. Evidently, the Corporation's financial position continued to be weak and its continued effective operation was dependent largely on the support of the Government.

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The Committee heard the evidence given by the Chief Executive that the Corporation incurred a deficit of Kshs. 1,042,673,134 during the year under review thereby bringing the cumulative deficit to Kshs. 3,785,969,823 as at 30th June, 1997.

The Committee was informed that: -

(i) As in previous years, the Corporation was unable to service the interest due and payable on OECF guaranteed loan amounting to Kshs. 174,094,156 during the year under review.

(ii) The huge deficit was caused by depreciation on the fixed assets and interest charges on the OECF Loan.

(iii) The Corporation continued to treat the interest totalling Kshs. 1,413,256,897 as a long term liability since it is the only method to reflect its true financial position under the prevailing circumstances.

(iv) The Corporation is negotiating with the Government to consider taking over the OECF Loans inherited from the former Voice of Kenya into equity and that a Cabinet paper, already prepared in line with this, is awaiting Government approval.

The Committee noted that the Corporation's position continued to be weak as it made a loss of Kshs. 1,042,673,134 and failed to service OECF Government guaranteed loan thereby forcing the Treasury to come to their aid.

The Committee further noted that the Corporation continued to treat the interest of Kshs.1,413,256,156 as long term liabilities instead of current liabilities contrary to International Accounting Standards.

The Committee therefore reiterates its earlier recommendations under 1994/95 and 1995/96 accounts that the Chief Executive should continue to explore other avenues of raising revenue to improve the Corporation's financial position in order to fulfil its loan obligations.

The Committee also recommends that the parent Ministry should follow up the approval of the Cabinet paper to enable the Corporation to restructure its Balance Sheet.

The Committee further recommends that the Corporation should treat the interest of Kshs.1,413,256,156 as current liabilities in accordance with the International Accounting practices.

2. DEBTORS

The Trade Debtors increased to Kshs. 278,454,093 as at 30th June, 1997 from Kshs. 200,924,414 in the previous year as reflected in Note 5 to the accounts. Although the debtors balance had generally increased and a sum of Kshs. 71,044,802 in respect of debts was falling under the age of 120 days and over and some of which were not supportable, only a provision of Kshs. 8,685,921 was made for bad debts. Unless recovery measures are enhanced and adequate supporting documents maintained, the Corporation stands to lose substantial amounts due to non-payment by defaulters. Further, in my opinion, a provision of Kshs. 8,685,921 in these accounts appears inadequate in the present circumstances. The Committee heard the evidence given by the Chief Executive that the debtors figure of Kshs. 207,591,774 includes an amount of Kshs. 93,676,289 in respect of debts falling under the age of 120 days and over and some of which were not supportable.

The Committee heard the evidence given by the Chief Executive that: -

(i) The Corporation recorded an increase of 8.4% in Sales and a decrease of 4% in debtors in the year under review compared to the previous year.

(ii) Legal action had been taken against some old debtors such as Capital Que; Kenya Institute of Education (KIE); Smex Ad Production and African Broadcasting Network.

The Committee noted that an amount of Kshs. 10.3 million had been recovered from K.I.E. following a legal action against it.

The Committee reiterates its earlier recommendation under paragraphs 2 and 3 of the 1994/95 and 1995/96 accounts respectively that the Chief Executive should improve the debt recovery machinery and use all means including legal redress to recover all the outstanding debts in full by 31st December, 2000.

3. INSURANCE OF PROPERTIES OF THE CORPORATION

In my previous reports, reference was made to the insurance of the Corporation's properties. The Balance Sheet Fixed Assets figure of Kshs. 6,727,059,229 is composed of the written down values of the plant and machinery, transmitter equipment, studio equipment, O.B. equipment and motor vehicles, among others. A review of the position during the audit revealed that, still some vehicles and broadcasting and television equipment used by the Corporation were not insured. Until Insurance covers for these vehicles and equipment are made, the Corporation continues to use them at a great risk.

The Committee heard the evidence given by the Chief Executive that all the Corporation's vehicles except 9 (nine) vans fitted with Broadcasting equipment are insured.

The Committee further heard that: -

(i) It has not been possible for the Corporation to insure the assets as their values remain unknown.

(ii) The delay in professional valuation of the assets has been caused by the delay in sorting out the ownership of assets between the Corporation and the Ministry of Information, Transport and Communication.

The Committee reiterates its earlier recommendation under paragraphs 5 and 3 of the 1994/95 and 1995/96 accounts respectively that both the Chief Executive and the parent Ministry should expedite the asset ownership exercise to facilitate professional valuation and insurance of the Corporation's assets by 31st December, 2000.

SOUTH NYANZA SUGAR COMPANY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF SOUTH NYANZA SUGAR COMPANY FOR THE YEAR ENDED 30TH JUNE, 1996

1. DOUBLE PAYMENT TO BOOKER TATE

While remitting payments to Booker Tate, the Company's banker, National Bank of Kenya, inadvertedly remitted US Dollars amounting to $58,356.44 instead of Sterling £58,356.44 resulting into under remittance. On realising the mistake the bank made a further remmitance of sterling £58,356.44 thereby resulting into over-remittance of the requisite amount by an equivalent of Kshs,3,271,514.80 as per bank debit advice dated 13 September, 1995. Despite the management being aware of the overpayment, there is no evidence to show that it had made any follow-up action to recover or regularise the erroneous payment.

The Committee heard the evidence given by the Chief Executive that the Company's banker, National Bank of Kenya, inadvertently remitted US$58,356.44 to their constituent bank in New York instead of £58,356.44 when processing payment to M/s Booker Tate. The Committee further heard that on realising the mistake, the bank made a further remittance of £58,356.44 thereby resulting into over-remittance.

The Committee was informed that when the company brought this lapse to the attention of the bank, corrective action was taken as follows:-

(i) The bank remitted an amount of £58,356.14 to the United Kingdom.

(ii) The New York bank paid M/s Booker Tate £40,148.91 which was credited to the Company's account.

(iii) M/s Booker Tate gave the company a credit note worth value of £9,297.85.

The Committee observed that there was an apparent lack of follow-up by the management to recover or regularise the erroneous payment despite being aware of the overpayment.

The Committee recommends that the Chief Executive should in future act promptly to regularise such erroneous remittances to avoid financial inconvenience to the company.

2. OVERDRAWN BOOKER TATE CASH ACCOUNT

The Booker Tate cash account established by the Company to cater for payments such as cash advances, car loans and salary advances to the tune of Kshs.4,719,877.85 as at

30 June 1996 as a result of the Company's failure to recover the amount from the Booker Tate Company. The cash account has remained overdrawn from 1991. Advancing cash to Booker Tate staff is a loose internal arrangement for the convenience of the staff and has no contractual backing since it is not covered by the Booker Tate-Sony Management services contract.

The Committee heard the evidence given by the Chief Executive that M/s Booker Tate cash account established by the company had been overdrawn without contractual backing to the tune of Kshs.4,719,877.85 as at 30th June, 1996.

The Committee was informed that:

(i) Both the Company and M/s Booker Tate incurred various costs on behalf of the other and got reimbursed subsequently.

(ii) The arrangement though not covered under contractual obligation, was in place as matter of business convenience to both parties.

(iii) Reconciliation of this account has since been prepared upto March, 1998 and a credit of £44,826.01 has been issued by M/s Booker Tate to the Company to settle all valid items outstanding as at 30th June, 1996.

The Committee observed that the cash account had remained overdrawn from 1991 and that the company continued advancing cash to M/s Booker Tate without contractual backing.

The Committee recommends that the Chief Executive should strictly adhere to the terms and conditions of Technical Management Agreement to avoid recurrence of similar circumstances. The Committee further recommends that advances between the two parties are reconciled at the end of every financial year.

3. SUGAR DEBTORS

The Balance Sheet's Debtors and Prepayments figure of Kshs.100,856,479 as at 30 June 1996 includes sugar debtors' balance of Kshs.31,710,040 which was arrived at after adjusting through a Journal Voucher. The effect of the adjustment was the reduction of sugar debtors from Kshs.55,508,312 to Kshs.31,710,040. It was explained by the Company that the adjustment was meant to correct price differences, double voicing, uncredited payments though Nairobi dollar account and over invoicing in VAT - exempt sales for export.

I find the explanation unsatisfactory in that the adjusted figure of Kshs.23,789,272 lacked analysis and was not supported by workings or evidenced by invoices and receipts. In the absence of the analysis and relevant supporting documents, I am unable to confirm the property of the adjustment.

The Committee heard the evidence given by the Chief Executive that the

adjustment of six (6) sugar debtors accounts by Kshs.23,798,272 through a journal voucher occasioned the reduction of sugar debtors balance figure from Kshs.55,508,312 to Kshs.31,710,040.

The Committee was informed that:-

(i) The adjustments were meant to correct price differences, double invoicing, uncredited payments through Nairobi dollar account and over invoicing in VAT - exempt sales for export.

(ii) A thorough reconciliation has since been undertaken and the details of the final adjustments to debtors in respect of the affected customers have been submitted to the Auditor-General (Corporations) for verification.

The Committee observed that the analysis and the relevant supporting documents in respect of the adjusted figure were not produced during audit exercise contrary to the Exchequer and Audit Act (Cap 412).

(i) The Committee recommends that the Chief Executive should exercise strict control of the accounts section to ensure that such prices differences, double invoicing and uncredited payments do not recur.

(ii) The Committee further recommends that the Chief Executive should ensure that all relevant supporting documents are made available to the Auditor General (Corporations) during audit exercise pursuant to the Exchequer and Audit Act (Cap 412).

KENYATTA UNIVERSITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYATTA UNIVERSITY FOR THE YEAR ENDED 30TH JUNE, 1992

1. LATE SUBMISSION OF ACCOUNTS

Section 31 of the Exchequer and Audit Act, (Cap 412), required the University to submit for audit its 1991/92 accounts by 31st October 1992. This was also pointed out to the University in my letter dated 16th December 1992. However, unsigned draft accounts were submitted on 28th February, 1994. The Audit was completed culminating in the issue of a management letter on 14th December, 1994 and a Draft Report which was forwarded for management's comments on 30th November, 1995. The revised, audited and signed accounts were finally received on 23rd June, 1997. No response has been received to the draft report and the management letter on the systems audit.

The late submission of these accounts outside the statutory period adversely affected my programme of audit in so far as compliance with the reporting within the statutory deadline. As far as I am aware the University did not seek the approval of the National Assembly to submit its accounts outside the statutory period.

The Committee heard the evidence given by the Chief Executive that the University submitted its accounts outside the statutory period because the institution experienced a high turnover of key accounting personnel during the year under review thus hampering the smooth operation of the accounting function.

The Committee further heard that the accounting operation in the University was aggravated and slowed down by change of accounting system from NCR which had become technologically obsolete to Dbase which necessitated re-training of staff.

The Committee recommends that any Chief Executive of the Institution who in future causes delay in the submission of accounts for audit without seeking Parliamentary approval should be dismissed.

2. CONTRACTS

Five contracts awarded in 1988, 1989 and 1990 were, according to final claims, varied upwards with amounts totalling K£6,553,256. The University did not produce for my verification the necessary Council's approvals covering the variations. Consequently, I was unable to confirm that the additional expenditure of K£6,553,256 was authorised.

The Committee heard the evidence given by the Chief Executive that upward variations in the cost of five contracts awarded by the University in 1988, 1989

and 1990 were approved by the Joint Council Committees of Tenders and Development on 1st September, 1999.

The Committee was informed that the variations were as follows:-

Project	Original contract sum (Kshs)	Revised Contract sum (Kshs)	Net variations (Kshs)
Hostels, Kitchen and Dining Hall Facilities (Nyayo Hostels)	165,603,259.30	241,879,183.35	76,275,935.05
Science Complex Phase 1	30,291,000	60,091,983	29,800,983
Biochemistry Laboratories	12,439,653	16,276,860	3,837,207
Classroom and offices in 8-4-4	29,240,725	37,340,325	8,099,600
Extension to Moi Library	18,254,292	26,324,543	8,000,251
Total Variations			Kshs.126,013,975

The Committee was further informed that:-

(i) The variation of contract cost by Kshs.76,275,930.05 in respect of Hostels, Kitchen and Dining facilities project which had been awarded to M/s Mistry Jadva Parbat was caused by remeasurements of provisional work, additional works necessitated by doubling of students, bedspaces and delays in payments from the onset that brought about a Kshs. 16 million claim for interest.

(ii) The variation of contract price by Kshs.29,800,983 in respect of Science Complex Phase I constructed by M/s Mavji Construction was caused by charges by Kenya Power and Lighting Company for connecting power and the necessary equipment, provision for furniture and kitchen equipment not earlier provided for and delay in settling claims brought forward by the contractor.

The Committee heard that the Hostels, Kitchen and Dining facilities and Science Complex Phase I projects were handed over to the University when they were 90% and 95% complete respectively, and that the first project requires Kshs.40 million to complete.

The Committee was concerned that the variation costs amounting to

Kshs.126,013,975 were grossly inflated and some of the additional works should have been included in the original Bills of Quantities.

The Committee noted with concern that M/s Mistry Jadva Parbat who constructed the Nyayo Hostels and handed over to the University at 90% complete has refused to demobilise despite the directive to that effect by the University and has taken the University to court over his unpaid certified certificates which amounted to Kshs.57,413,818 in 1991.

The Committee took great exception on the delay in the disbursement of funds by the Ministry of Finance and planning for the completion of the said contracts.

The Committee recommends that:-

(i) The Chief Executive should liaise with Office of the Attorney-General with a view to ensuring that M/s Mistry Jadva Parbat is demobilised from the Site and his alleged claims are settled in Court.

(ii) The Ministry of Finance and Planning should disburse the required funds in respect of the uncompleted buildings at Kenyatta University.

3. BANK AND BUILDING SOCIETY DEPOSITS

3.1. The Balance Sheet Bank and Building Society Deposits figure of £2,793,568 includes investments amounting K£ 757,455 which were not confirmed by the financial institutions which held the deposits. The existence of these deposits could not, therefore, be verified. In addition, one of the Banks is under receivership, but the University has not explained action, if any, it has taken with the Official Receiver to recover an amount of K£200,000 held by the bank. Further, no provision has been made in the accounts for the possible losses of this deposit.

The Committee heard the evidence given by the Chief Executive that investments figure of K£757,455 was held in Kenya Commercial Bank, East Africa Building society, Savings and Loan and the National Bank of Kenya and that the institutions have confirmed the investments held by them.

The Committee was informed that the deposit of K£ 200,000 which was banked with the Trade Bank (under receivership) has since matured and proceedings amounting to Kshs.4,421,644.15 paid to University vide receipts Nos.314104, 214105 and 235505.

The Committee recommends that the Chief Executive should direct the financial institutions to confirm directly to the Auditor-General (Corporations) the existence of the said deposits.

4. DEBTORS

The Balance Sheet Debtors figure of K£3,686,945 includes K£2,266,066 in respect of Recoverable Charges and Sundry amounts as indicated in Note 14 to the Accounts. The amount of K£2,266,066 in turn, includes a sum of K£2,174,500 whose analyses or details the University has not produced. The University Students Accommodation Board Debtors figure of K£ 1,599,985 was also not analyzed. In the absence of analyses and details, it was not possible to ascertain whether these amounts were recoverable.

The Committee heard the evidence given by the Chief Executive that Balance Sheet debtors figure of K£ 3,686,945 includes K£ 2,266,066 in respect of Recoverable Charges and Sundry like medical bills, telephone bills and shop rentals which have substantially been recovered and the debtors' schedule in support of the accounts provided.

The Committee further heard that the debtors figure of K£ 1,599,985 which is attributed to the defunct University Students Accommodation Board represents charges on utilities such as electricity, telephone, water and other miscellaneous expenses incurred by the University on behalf of the Board in the year under review.

The Committee was concerned that the University did not produce analysis and details in respect of K£2,174,500 and K£1,599,985 at the time of audit.

The Committee further noted that the parent Ministry did not remit an amount of K£ 1,599,985 to the University.

The Committee recommends that:-

(i) The Chief Executive should ensure that all supporting documents are made available to the Auditor-General (Corporations) for verification by 31st December, 2000.

(ii) The parent Ministry must always remit funds due to the University as appropriated by Parliament.

5. CREDITORS

5.1 The Balance Sheet Creditors and accrued Expenses of K£ 9,486,676 includes amounts totalling K£8,360,842 whose analyses the University did not produce.

In the absence of the analyses for these amounts it was not possible to confirm their correctness.

5.2 With the dissolution of the University Students Accommodation Board (USAB) on 14th November, 1989, the Parent Ministry was understood to have undertaken to pay all the outstanding creditors of USAB provided the invoices of such creditors were authenticated by each University and were certified by this

Office. Despite this arrangement, the books of account of the University still reflected USAB creditors amounting to K£ 60,907. The University has not explained why such amounts have not been settled by the Parent Ministry.

The Committee heard the evidence given by the Chief Executive that the analysis for Creditors and Accrued Expenses amounting to K£ 8,360,842 which were not produced to the auditors at the time of audit have since been provided for verification.

The Committee was informed that the parent Ministry has not provided funds to meet the outstanding creditors of University Students Accommodation Board which the Ministry had undertaken to pay when the Board was disbanded in November, 1989.

The Committee noted that the university failed without any plausible reason to produce analyses in respect of K£ 8,360,842 at the time of audit.

The Committee recommends that:-

(i) The Chief Executive should ensure that all supporting documents are made available to the Auditor-General (Corporations) by 31st December, 2000.

(ii) The University should be held responsible and accountable for the outstanding amount of K£ 60,907 which the parent Ministry dishonoured for lack of supporting documents.

6. IRREGULAR EXPENDITURE

6.1. Included in the amount of K£ 3,880,669 in respect of Central Service Expenditure as indicated in Note 7 to the accounts is an amount of K£ 5,552 being the cost of furniture for staff houses. According to the Kenyan Accounting Standard No.17, the expenditure should have been capitalised and should have formed part of the fixed assets. The University has not given reasons for deviating from this procedure.

The Committee heard the evidence given by the Chief Executive that the expenditure of K£ 5,552 incurred in respect of furniture for staff houses was authorised and that it has since been capitalised and made part of the fixed assets.

The Committee recommends that the Chief Executive should ensure that any expenditure in respect of staff houses is capitalised and be part of the fixed asset in accordance with the existing Accounting Standards.

6.2 The amount of K£ 6,268,726 in respect of Administrative Departments Expenditure indicated in Note 7 includes K£ 12,054 in respect of car loans and

advances. It was understood that the amount of K£ 12,054 was arrived at by offsetting an unidentified credit amount of K£ 174 in respect of a salary advance from unidentified amounts totalling K£ 12,228 in respect of car loans defaulters. The University has not explained why it has written off K£ 12,228 in respect of unidentified car loans defaulters from its books of account.

The Committee heard the evidence given by the Chief Executive that the amount of K£ 6,268,726 in respect of Administrative Departments Expenditure includes an amount of K£ 12,052 in respect of car loan advanced to a Dr. Aggrey J. Otieno who left the services of the University and is currently residing in the United States of America.

The Committee was informed that:-

(i) The University guaranteed a loan used to purchase vehicle Reg. No. KXB 616 by the lecturer and was registered in the joint names of A.J. Otieno/Kenyatta University.

(ii) The University later discovered that Dr. Otieno had transferred the vehicle to one Ashington Ngigi of P. O. Box 583, Uthiru without the authority of the University.

(iii) Despite the existence of a restriction stating that the vehicle jointly belonged to Dr. Aggrey Otieno and Kenyatta University, the Registrar of Motor Vehicles illegally transferred the vehicle to Mr. Ngigi and later still allowed the transfer of the same vehicle to Mr. Evans Omboyo Amunga.

(iv) The University as the guarantor to the bank cleared the loan to avoid escalation of the loan interest while Dr. Otieno is being pursued to pay.

The Committee noted that the Registrar of Motor Vehicles failed to take the necessary precautionary measures to ensure that the said vehicle was not transferred to another party.

The Committee further noted that the then Registrar of Motor Vehicles Mr. Kaigu, Dr. Otieno and Mr. Ashington Ngigi jointly forged the vehicle logbook to appear as if it had been registered only under Dr. Otieno.

The Committee recommends that:-

(i) The Director of Kenya Anti-Corruption Authority should investigate the activities of the then Registrar of Motor Vehicles Mr. Kahigu, Dr. Aggrey Otieno and one Mr. Ashington Ngigi of P. O. Box 583, Uthiru in the transfer of vehicle Reg. No. KXB 616, Peugeot, which was jointly owned between Kenyatta University and Dr. Aggrey Otieno.

(ii) **The Chief Executive should liaise with the Commissioner of Police with a view to enlisting the services of Interpol in tracing Dr. Otieno in the USA for the purpose of extraditing him to come and face criminal charges for forgery and fraud.**

(iii) **The Registrar of motor vehicles should indemnify Kenyatta University to the tune of K£ 12,052 being the loss that arose from the illegal transfer of the vehicle which was jointly owned between the University and Dr. Otieno to a third party to the detriment of the University.**

(iv) **The Chief Executive should ensure that adequate restriction is put on vehicles jointly owned between the University and its employees enjoying the University Car Loan Scheme and that the logbooks of such vehicles are put under the custody of the University.**

6.3.. Supporting documents were not attached to five payment vouchers for amounts totalling K£ 19,024 paid in January, 1992 and April, 1992. The correctness of K£ 19,024 was, therefore, not vouched.

The Committee heard the evidence given by the Chief Executive that supporting documents in respect of five payment vouchers for amounts totalling K£ 19,024 paid in January, 1992 and April, 1992 have since been availed and verified by the Auditor-General (Corporations).

The Committee was further informed that the payments were in relation to:-

(i) **Payment voucher No.78097 of Kshs.305,600 made in respect of purchase of graduates' gowns, hoods and caps.**

(ii) **Payment voucher No.79001 of Kshs.61,280 - Government import licence application fee at the rate of 2% of the total cost of the books imported.**

(iii) **Payment voucher No.79119 of Kshs.2650 - made for the purchase of a road licence for the University vehicle Reg. No. KZG 446.**

(iv) **Payment voucher No.79139 of Kshs.1000 was used to open a University Tuition Fee Savings A/c No.024-031-857.**

(v) **Payment voucher No.78469 of Kshs.9,950 made in respect of medical expenses incurred by a staff member.**

The Committee noted that the supporting documents were not made available at the time of audit.

The Committee recommends that the Chief Executive should ensure that

in future all supporting documents are made available to the Auditor-General (Corporations) for verification as and when required.

6.4. An examination of the bank reconciliation statements for the year under review revealed that Cheque No.90086 for K£ 453 for February, 1992 salaries of 4 employees was altered to read K£ 4,503 and cleared by the bank on 9th March, 1992 and 26th June, 1992. Other three cheques dated 4th June, 1992; 8th June, 1992 and 20th June, 1992 for amounts totalling K£ 8,026 were noted to have been cashed or were cleared by persons other than the payees. The University has not explained the circumstances under which these fraudulent actions took place and the steps it has taken to recover the loss of K£ 12,529.

The Committee heard the evidence given by the Chief Executive that salary Cheque No.90086 of K£ 453 (Kshs.9,052) was altered to read Kshs.90,052 and cashed after it had been received at Barclays Bank, Kenyatta Avenue.

The Committee further heard that:-

(i) Cheques Nos. A510577, A510613 and A50614 for amounts Kshs.16,250.00, 14,230.00 and 130,050.00 respectively which had been sent to the known addresses of the respective payees were intercepted and encashed over the counter by unknown persons.

(ii) In 1992 Mr. Alex Mungai Mucheke who fraudulently cashed Cheque No.88147 for an amount of Kshs.38,173 was charged in court and sentenced to a twelve month imprisonment in December, 1992.

The Committee was informed that the University has instructed a firm of Lawyers, M/s Lawrence Mungai to take up the matter of the three cheques with the National Bank of Kenya with a view to recovering the money.

The Committee observed with concern the manner in which the University handled this matter of criminal nature by using a firm of Lawyers and incurring legal fees instead of reporting the matter to Banking Fraud Investigation Unit.

The Committee recommends that the University should move expeditiously and report the matter to the Banking Fraud Investigation Unit for investigation.

The Committee further recommends that the Chief Executive should ensure that proper internal controls are put in place in the finance department to avoid frauds.

6.5. During the year under review the University paid for electricity and water charges totalling K£ 4,344 for its seven (7) employees contrary to the instructions in the

circulars issued from time to time by the Office of the President on the terms and conditions of service of the employees of the State Corporations. These expenses were, therefore, unauthorised.

The Committee heard the evidence given by the Chief Executive that payment of electricity and water charges amounting to Kshs.K£ 4,344 was approved by University management.

The Committee noted that the University effected the payments in clear violation of the circulars issued from time to time by the Office of the President on the terms and conditions of service of the employees of the State Corporations.

The Committee recommends that the irregular payments amounting to K£ 4,344 be recovered from the seven employees and the practice be stopped forthwith.

KENYATTA UNIVERSITY STUDENTS ACCOMMODATION BOARD

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYATTA UNIVERSITY STUDENTS ACCOMMODATION BOARD FOR THE YEAR ENDED 30TH JUNE, 1989

1. ACCURACY OF THE ACCOUNTS

The Balance Sheet reflects a figure of K£39,424 in respect of suspense account which has resulted from an unidentified difference between the debit and credit balances in the Trial Balance. As the Board has been unable to identify the cause of the debit balance, it has not been possible to ascertain its effect on the accounts.

The premises of USAB - Kenyatta University were gutted by fire on 30th September, 1989 and some accountable documents were destroyed by fire before the accounts were prepared and were thus not available for our audit. The audit of the accounts for the year under review was consequently limited in scope in this respect.

The Committee heard the evidence given by Chief Executive that a figure of K£39,424 in respect of Suspense Account which resulted from unidentified difference between the debit and credit balances in the Trial Balance could not be reconciled because the Board's accounting documents were destroyed by fire on the night of 30th September, 1989 which gutted its premises.

The Committee noted that it was difficult to reconcile the figure of K£39,424 given that accountable documents were destroyed in the said blaze.

2. CONSTRUCTION CONTRACTS

An examination of the contract records revealed that a Company which was a fifth lowest bidder was awarded the contract to construct administrative offices at a contract price of K£550,000. Had the contract been awarded to the lowest bidder whose tender was K£472,497, the Board would have saved K£77,503.

Another Company was also awarded a contract on 2nd November, 1987 to construct 10 units of prefabricated houses without inviting open tenders at a contract sum of K£366,000. Although the Board was noted to have expressed its displeasure that the contract cost had been overpriced, it nevertheless approved the contract sum of K£366,000.

According to the information available, the Forest Industrial Training Centre, Nakuru, had initially been requested to erect the 10 units of prefabricated houses and it offered to charge K£30,233 for labour. The Board thereafter ordered materials for constructing these 10 units of prefabricated houses from the Centre in April and May 1987, valued at K£38,962. It was, however, observed that the Board cancelled this agreement and awarded the contract to the Company referred to above at a contract sum of

K£366,000 on 2nd November, 1987. Had the Board not cancelled the agreement with the Forest Industrial Training Centre, it would have saved K£296,804 being the difference between the contract sum of K£366,000 awarded to the Company and K£69,196 which was the Centre's offer and which included cost of labour and materials. It was further noted that the Forest Industrial Training Centre, Nakuru, had on 22nd May 1988 refunded the Board K£25,975 which was part of the total cost of the materials for constructing the prefabricated houses and the amount of K£12,987 was still outstanding.

In the absence of open tenders, I have not been able to establish how the company awarded the contract was identified or ascertain that the cost of the construction of the prefabricated houses was the most competitive.

The Committee heard the evidence given by the Chief Executive that University Students Accommodation Board (USAB) Kenyatta University Board, awarded the fifth lowest bidder, M/s Latis Construction Company a contract to construct administrative offices at Kshs.11 million.

The Committee was informed that had the lowest bidder been given the contract, the Board would have saved K£77,503.

The Committee was concerned that the USAB, Kenyatta University, flouted tendering procedures by awarding the tender to the fifth lowest bidder thereby occasioning the Board a loss of K£77,503.

The Committee recommends that the USAB Board which deliberated on the tender should be held responsible for the irregular tendering and subsequent loss of K£77,503.

The Committee further recommends that the Director of Kenya Anti-Corruption Authority (KACA) should investigate circumstances under which the Board of USAB awarded the contract to the fifth lowest bidder with a view to prosecuting the culprits.

The Committee also recommends that Forest Industrial Training Centre, Nakuru should refund K£ 12,987 to the successor of USAB in respect of materials for constructing the prefabricated houses.

3. CAPITAL WORK IN PROGRESS

The Balance Sheet Capital Work in Progress figure of K£557,101 does not include the proportion of the cost of the building that was met by the main USAB whose accounts for 1988/89 were produced by the University of Nairobi. The figure of K£557,101 is, therefore, under-stated to the extent to which the cost of the building met by the main USAB was excluded from the accounts.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet Capital Work in Progress figure of K£557,101 excludes the proportion of the cost of the building met by the main USAB whose accounts for 1988/89 had

not been finalised by the time the University accounts were prepared.

The Committee was informed that intra-university transactions that were incurred before the split of the Board in 1988 have not been determined.

The Committee recommends that the Director of Kenya Anti-Corruption Authority should institute investigations into the manner in which the assets of the defunct USAB were distributed and/or disposed of including the various bank accounts held by the Board.

4. CREDITORS AND ACCRUALS

The Balance Sheet Creditors and Accruals figure of K£446,115 included K£393,817 in respect of supplies creditors whose analyses were not produced for audit verification. In addition, there were no creditors' statements or creditors ledger to support the amount of K£393,817. The correctness of K£393,817 has, therefore, not been verified.

The Committee heard the evidence given by the Chief Executive that the creditors schedules for an amount of K£393,817 in respect of supplies creditors were not availed at the time of audit.

The Committee recommends that the Chief Executive should ensure that all relevant supporting documents in respect of K£ 393,817 are made available to the Auditor-General (Corporations) for verification by 31st December, 2000.

5. DEBTORS AND PREPAYMENTS

Included in the Balance Sheet Debtors and Prepayments figure of K£80,521 is an amount of K£45,462 in respect of salary advances. No details were, however, made available for audit to confirm who owed the amount of K£45,462.

The Committee heard the evidence given by the Chief Executive that salary advances amounting to K£45,462 given to former USAB employees in respect of salary advance, house loans and car loan were subsequently recovered with effect from November, 1989 and that all the amount have been recovered.

The Committee recommends that the Chief Executive should ensure that all relevant supporting documents in respect of K£ 45,462 are made available to the Auditor-General (Corporations) for verification by 31st December, 2000.

6. STOCKS

The Balance Sheet Stocks figure of K£137,756 could not be verified because records used to account for the stocks were said to have been destroyed by fire. As indicated in Note 9 to the accounts, the Balance Sheet Stocks figure of K£137,756 was arrived at by taking the total value of the stores purchased during the year under review and deducting from that the total value of the stores issued during the same year.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet stocks figure of K£ 137,756 could not be verified because all the stock and other accounting records were destroyed by fire which gutted the USAB premises on 30th September, 1989.

The Committee further heard that the figure of K£ 137,75 was arrived at by taking the total value of the stores purchased during the year under review and deducting from the total value of the stores issued during the same year.

The Committee recommends that the Chief Executive should ensure that all relevant documents in respect of K£ 137,756 are forwarded to the Auditor-General (Corporations) for verification by 31st December, 2000.

7. BANK OVERDRAFT/CASH IN HAND

As cash books, vouchers and bank reconciliation statements were not produced for audit verification, it was not possible to vouch the Balance Sheet Bank Overdraft figure of K£11,129 and the Balance sheet Cash in Hand figure of K£24,398.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet Bank Overdraft figure of K£11,129 and the Balance Sheet cash in Hand figure of K£24,398 could not be verified as all the accounting records were destroyed by fire.

The Committee was concerned that the Chief Executive could not explain how the above figures were arrived at since most of the accountable documents had allegedly been destroyed by fire.

The Committee recommends that the Chief Executive should take the necessary efforts to come up with records in respect of Bank Overdraft figure of K£ 11,129 and cash in hand figure of K£ 24,398 and forward the same to the Auditor General (Corporations) for verification by 31st December, 2000.

TEACHERS SERVICE COMMISSION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF TEACHERS SERVICE COMMISSION FOR THE YEAR ENDED 30TH JUNE, 1995

1. FIXED ASSETS

Included in the Balance Sheet fixed assets figure of K£1,443,744.00 is K£491,963.00 being payment of professional fees to architects on account of Teachers Service Commission Headquarters building but whose construction has not commenced due to non-disbursement of funds by the Ministry of Education. A further sum of K£901.721.00 has been incurred on the architect's fees after 30 June, 1995 bringing the total sum paid so far to K£1,393,684.00. The Commission does not appear to have funds of its own to proceed with the project and it is not clear when the Government will make funds available for the project once estimated to cost K£35,000,000.00 in 1992/93 and currently K£60,000,000.00. Unless and until the project is commenced and satisfactorily completed, I am unable to form an opinion on the prudence of incurring expenditure on architects fee.

The Committee heard the evidence given by the Chief Executive that in October 1992 the Ministry of Education commissioned M/s Triad Architects and M/s Mathu and Gichuiri Quantity Surveyors to do structural Drawings and Bills of Quantities in respect of the proposed Teachers Service Commission to be built on plot No.LR/209/11422 amount of Kshs.27,873,680 had been paid to the professionals as at 30th June, 1995.

The Committee further heard that the Teachers Service Commission Headquarters is estimated to cost Kshs.1.2 billion and that the Treasury has not been able to provide funds for the construction although only an amount of K£20,000 was provided by Treasury in the current financial year 1999/2000.

The Committee observed that the inability of the Ministry of Education to provide funds for the start and completion of the project calls to question the decision to conceive the project and the prudence of engaging professionals with attendant costs.

The Committee therefore recommends that the government should make funds available for the construction of the proposed Teachers Service Commission Headquarters.

2.0 DEBTORS

2.1 LOSSES OF CASH

As pointed out in my report on 1993/94 accounts, the 1994/95 Balance Sheet debtors figure of K£7,254,884.00 still includes K£1,080,034.00 being cash losses which

occurred at the Teachers Service Commission Headquarters on account of fraudulent payment of bogus Teachers Service Commission Office Rent for which no recoveries have been made. Available information indicate that the matter was referred to the police for investigation. However, the outcome of such investigation, has not been communicated to me.

The Committee heard the evidence given by the Chief Executive that theft of public funds amounting to Kshs.21,600,692.90 occurred at the Teachers Service Commission Headquarters through collusion between the members of TSC staff and outsiders and that the loss was reported to the C.I.D. who carried out thorough investigations resulting in the arrest and prosecution of the suspects.

The Committee was informed that the case is pending in the High Court of Kenya, Case No.2713/94 and that the hearing of evidence has been finalised and judgement would be delivered soon.

The Committee recommends that the Chief Executive should follow up the pending case No.2713/94 to its conclusion.

The Committee further recommends that the Chief Executive should put in place strict financial controls to avoid recurrence of such incidents of theft.

2.2 UNCLAIMED SALARIES

Included in the debtors balance as at 30 June, 1995 is a further amount of K£.100,871 being balance of unclaimed salaries retained by on District since 1991 instead of being returned to Teachers Service Commission Headquarters. The Commission has informed me that efforts to recover this balance have been unsuccessful.

The Committee heard the evidence given by the Chief Executive that unclaimed salaries amounting to K£100,817 retained by Baringo District since 1991 had not been remitted during the year under review.

The Committee further heard that Mr. Cyrus Maina, who was the then District Commissioner and was implicated with the loss of the unremitted salaries was to be investigated and a report made to the Attorney-General by the Director of the Criminal Investigations vide Letter No.AG/CONF/8/128 of 22nd May, 1997.

The Committee was informed that on 8th February, 2000, a person allegedly sent by Mr. Maina paid Kshs.2,017,420 through a banker's cheque No.00177 bought at Kenya Commercial Bank, Kipande House Branch to the Teachers Service Commission to clear the outstanding amount of unreturned salaries from Baringo. When Mr. Cyrus Maina appeared before the Committee he denied ever owing any money to the Teachers Service Commission nor knowledge of any payments made to the Teachers Service Commission on 8th February, 2000.

The Committee recommends that the Director of Criminal Investigations Department should conclude the ongoing investigation on the matter.

PARTITIONING OF OFFICES AT BAZAAR PLAZA - NAIROBI

The Committee heard the evidence given by the Chief Executive that the Commission awarded the tender for the partitioning of TSC offices at Bazaar Plaza, Nairobi to the lowest tenderer M/s K.G. Patel and Sons at a cost of Kshs.79,800,300.

The Committee further heard that:-

(i) The successful tender of Kshs.79,800,300 was within a reasonable margin of the Ministry of Roads and Public Works estimate of Kshs.95,441,00.

(ii) A further Kshs.74,168,171 was incurred on additional construction works and supply of new furniture based on the consultants' variation orders thereby bringing the cumulative cost of the project to Kshs.153,968,471.00.

The Committee was informed by the Permanent Secretary, Ministry of Roads and Public Works that:-

(i) The materials used (Dura Board) in the partitioning were in accordance with the specification in the drawings and the Bills of Quantities and that the workmanship, with the exception of the finishing work, was satisfactory.

(ii) The painting work on the partition and sanding on some of the frames was not satisfactory while the doors were very light.

(iii) The main contractor did not price for the profit and attendance of curtains and carpets hence is not entitled to payment of profit and attendance.

(iv) There are several variation orders with items provisionally priced which should be remeasured and fresh variation orders issued.

(v) The main reasons for variation of the original contract price were additional builders works, additional loose furniture and furnishings and electrical mechanical works.

(vi) The final cost of the works should not exceed Kshs.141,440,020.

The Committee was also informed that:-

(i) The letteable area occupied by the TSC is 88,373 sq. ft as opposed to 105,600 sq. ft offered by the Landlord, M/s Aloukik Investments Limited, to the Commission and agreed to by both parties in the lease agreement of 16th September, 1998.

(ii) The TSC is paying rent of Kshs.67.34 per sq. ft per month instead of Kshs.45.00 recommended by the Chief Valuer.

The Committee noted that there was a big difference between the letteable area occupied by the TSC as given by the Ministry of Roads and Public Works and the space offered by the Landlord.

The Committee recommends that:-

(i) The Chief Executive should liaise with the Ministry of Roads and Public Works and the Landlord with a view to ascertaining the exact letteable space and revise the rents payable thereof. The findings of the exercise should be forwarded to the Auditor-General (Corporations) for verification by 30th September, 2000.

(ii) The final cost of the works by the contractor should not exceed Kshs.141,440,020 as recommended by the Ministry of Roads and Public Works.

(iv) The Chief Executive should before the expiry of the current lease in respect of Bazaar Plaza Offices explore cheaper alternatives including putting up prefabricated structures for temporary accommodation.

(v) In view of high rents paid currently by the Commission, the Government should make funds available for the construction of the proposed Teachers Service Commission Headquarters on plot LR. No.209/11422.

EXPORT PROCESSING ZONES AUTHORITY

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

1. FIXED ASSETS

The Fixed assets figure of Kshs.10,409,140 shown in the Balance Sheet does not include the value of land owned by the Authority and in particular the land granted to the Authority in 1991 measuring 454.4 hectares and situated in Mavoko Township. I am therefore, unable to express my opinion that the fixed assets of the Authority shown in the accounts are fairly stated.

The Committee heard the evidence given by the Chief Executive and noted that the Corporation's Fixed Assets figure of Kshs.10,409,140 did not include the value of land granted to the Authority as it had not been valued as at 30th June, 1994.

The Committee further heard that the Authority assets consisting of:-

(i) Land plot L. R. 18474 in Mavoko Township, in Machakos District measuring a total of 454 hectares which initially belonged to the Kenya Meat Commission but was later allocated to Export Proccessing Zone Authority and title issued.

(ii) Land plot L. R. 337/1649 in Mavoko Township, Machakos District measuring 1.2 hectares in which a water reservoir with capacity of 8500 m^3 is located.

(iii) Land plot measuring approximately 303 hectares acquired by the Government for the Authority at a total cost of Kshs.22,176,600 vide gazette Notice No.2802 dated 13th July, 1991.

The Committee was informed that Ministry of Lands and Settlement was carrying out a valuation of the assets.

The Committee recommends that the Chief Executive should ensure that the parcels of land owned by the Authority, including the land granted to the Authority in 1991 measuring 454.4 hectares situated in Mavoko Municipal Council are valued and included in the accounts by 31st December, 2000.

EXPORT PROCESSING ZONES AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF EXPORT PROCESSING ZONES AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 1995

1. FIXED ASSETS

The Balance Sheet Fixed Assets figure of Kshs.11,829,714.00 excludes the value of land granted to the Authority in 1991 measuring 454.4 hectares situated in Mavoko Township in 1991 further piece of land of 66 hectares allotted to the Authority in 1995 in Kipevu, Mombasa Municipality for which no title documents have been seen. The fixed assets figure excludes infrastractural developments done on the land in Mavoko which include a five story office block, a police station, a construction is in progress, a road works, a water tank and sewage treatment plant. I understand that construction of these projects was financed by the World Bank through the Ministry of Finance but the terms of such finance are not clear. In the circumstances, I am unable to confirm that the fixed assets shown in the accounts are fairly stated.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet fixed assets figure of Kshs.11,829,714.00 excludes the value of land granted to the Authority in 1991 measuring 454.4 hectares situated in Mavoko Township and a further piece of land of 66 hectares allotted to the Authority in 1995 in Kipevu, Mombasa Municipality for which no title documents have been seen.

The Committee was informed that:-

(i) All the assets excluded in the fixed schedule had not been valued and officially handed over to the Authority.

(ii) The Fixed assets figure excludes infrastructural developments done on the land in Mavoko which include a five storey office block, a police station, a dispensary, 6 factory sheds among other projects.

The Committee was further informed that four (4) contracts were awarded for the development of infrastructures in Mavoko and that the said contracts were awarded to:-

(a) Sogea Construction Company - Contract No. FN/001 off-site water supply at an initial cost of Kshs.215,525,534.20 and the final cost being Kshs.225,110,099.00 thereby causing a variation of Kshs.9,584,505.

(b) Mugoya Construction and Engineering Ltd - (i) Contract No.FN/002 in respect of on-site services and ancillary works at an initial cost of Kshs.175,067,474.35 and the final cost being 196,605.350 thereby causing a variation of Kshs.21,537,606.

(ii) Contract FN/003 in respect of Administration and ancillary buildings at initial cost of Kshs.122,274,860.00 and the final cost being Kshs.300,270,047 thereby causing a variation of Kshs.177,996,186.40.

(c) Intex Construction Company Ltd - contract No. FN/003 - off-site sewerage and sewage Treatment at initial contract cost of Kshs.249,219,900/80 and the final cost being Kshs.389,553,231 thereby causing a variation of Kshs.140,333,331.

The Committee was further informed that the escalation in contract prices was due to massive foreign exchange fluctuations during the period under review and delay in starting the projects and delay in settlement of claims brought forward by contractors due to budgetary constraints.

The Committee was concerned with the manner in which the contracts were awarded and the high variations in the original costs and the final costs of the contracts.

The Committee observed that some construction works were not complete despite the high variations.

The Committee recommends that the Director of Kenya Anti-Corruption Authority should investigate the manner in which the contracts were awarded, the variations were made and payments effected with a view to prosecuting the culprits.

The Committee further recommends that the Authority should ensure that the assets are reflected in the books of account to avoid overstating the net surplus.

2. MISCELLANEOUS INCOME - KSHS.13,774,812.00

Included in the miscellaneous income shown is rent income of Kshs.12,222,179.00 from rent of the facilities constructed in the Mavoko plot owned by the Authority. As stated in paragraph one above, the Authority has not reflected these facilities in its Balance Sheet and the assets have not therefore been depreciated. The net surplus for the year is, as a result, overstated to the extent of the depreciation omitted from the accounts.

The Committee heard the evidence given by the Chief Executive that a revenue of Kshs.13,774,812 was derived from rent of the facilities constructed in the Mavoko plot which the Authority has not reflected in its Balance Sheet and therefore the assets have not been depreciated.

The Committee was further informed that the Authority was mandated through a Board decision and ministerial authority to manage the Zone facilities and to collect fees, charges and rentals as reflected in the printed estimates from 1994/95 Financial Year and which became part of the income for the Authority's annual approved recurrent estimates.

The Committee recommends that the Authority should ensure that the assets are reflected in the books of account to avoid overstating the net surplus.

EXPORT PROCESSING ZONES AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF EXPORT PROCESSING ZONES AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 1996

1. FIXED ASSETS

As reported previously, the Authority's Balance Sheet Fixed Assets figure of Kshs.10,962,133 excluded the value of land granted to the Authority in 1991 measuring 454.4 hectares situated in Mavoko township and a further piece of land measuring 48.84 hectares allotted to the Authority in 1995 in Kipevu, Mombasa Municipality. However although the title deed made available for audit shows that the size of the Kipevu piece of land measures 48.84 hectares, the allotment letter indicates that the land measures 66 hectares. The difference of 17.16 hectares has not been satisfactorily explained.

The fixed assets figure further excludes infrastructural development done on the land in the Mavoko township which include a five storey office block, a police station, a dispensary, 6 factory sheds which are complete and 6 whose construction is in progress, road works, a water tank and sewage treatment plant. I understand that construction of these facilities was financed by the World Bank through the Ministry of Finance but the terms of such finance were not verified. In the circumstances, I am unable to confirm that the fixed assets shown in the accounts are fairly stated.

The Committee heard the evidence given by the Chief Executive that the Fixed Assets figure of Kshs.10,962,133 excluded the value of land measuring 454.4 hectares in Mavoko Township and a further piece of land measuring 48.84 hectares allotted to the Authority in 1995 in Kipevu, Mombasa Municipality.

The Committee further heard that:-

(i) The assets were excluded in the fixed schedule as they had not been valued and handed over to the authority.

(ii) The difference of 17.16 hectares arose because the letter of allotment of 66 hectares had included the land below the high water mark which the consultants had recommended should be protected, as opposed to 48.84 hectares indicated in the Title Deed for Kipevu Land.

(iii) The valuation of the Athi River Zone had been delayed awaiting completion of the infrastructure and the buildings.

(iv) The valuation and subsequent transfer of the infrastructural development was not undertaken due to non-completion of the project occasioned by budgetary constraints experienced by the Government in the last four years.

The Committee noted that the Treasury is currently verifying the past records in order to confirm the value of the said assets and officially transfer them to the Authority. The Committee recommends that the Treasury should expedite the verification of past records on assets and transfer the assets to the Authority by 31st December, 2000.

2. MISCELLANEOUS INCOME

As in the previous year, included in the miscellaneous income is revenue of Kshs.13,166,543 derived from rent of the facilities constructed in the Mavoko plot owned by the Authority. As stated in paragraph one above, the Authority has not reflected these facilities in its Balance Sheet and assets have not therefore been depreciated. The net surplus for the year is, as a result, overstated to the extent of the depreciation so omitted from the accounts.

The Committee heard the evidence given by the Chief Executive that a revenue of Kshs.13,166,543 was derived from rent of the facilities constructed in the Mavoko plot which the Authority has not reflected in its Balance Sheet and therefore the assets have not been depreciated.

The Committee further heard that the Authority was mandated through a Board's decision and Ministerial authority to manage the Zone facilities and to collect fees, charges and rentals as reflected in the printed estimates from 1994/95 Financial Year and which become part of income for the Authority's annual approved recurrent estimates .

The Committee therefore reiterates its earlier recommendations under paragraph 2 of the 1994/95 Accounts that the Authority should ensure that the assets are reflected in the books of accounts to avoid overstating the net surplus.

3. OTHER PERSONAL ALLOWANCES

The "Other Personal Allowances" figure of Kshs.4,801,430 shown in the income and expenditure account includes an authorised payment totalling Kshs.2,777,636 in respect of car, entertainment, domestic and club allowances irregularly paid to some 18 employees of the Authority. The examination of the Authority's approved terms and conditions of service revealed that the approved rates were Kshs.3,000 and 2,700 per month in respect of car allowances while those paid range between Kshs.10,000 and Kshs.15,000 per month. The approved rate for entertainment allowance was Kshs.1,000 per month while that paid ranges between Kshs.5,000 and Kshs.15,000 per month. Other officers were also paid these allowances while they did not fall within the approved categories while other allowances such as domestic and club allowances were paid although not within those approved for in the terms and conditions of service.

The Committee heard the evidence given by the Chief Executive that payment of allowances amounting to Kshs.2,777,636 to senior personnel of the Authority was approved by the Board and the Parent Ministry as provided for in the Export

Processing Zones Authority Act (Cap. 517).

The Committee was informed that the Board approved payments of allowances net of tax and that the Authority is sorting out the matter with the Commissioner of Income Tax while part payment of Tax due has been paid.

The Committee was concerned that the payments were not approved by the Office of the President.

The Committee recommends that the Chief Executive should recovery the difference between the approved rates and unauthorised payments from the officers concerned by 31st December, 2000.

LAKE BASIN DEVELOPMENT AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF LAKE BASIN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 1995

1. LATE SUBMISSION OF ACCOUNTS

The Authority's accounts for the year which according to the law, were supposed to have been submitted for audit by 31 October, 1995 were received on 26 May 1997 in draft form while the signed accounts were received on 19 May 1998. As far as I am aware, the Authority did not seek parliamentary approval for the extension of time within which to submit its accounts for audit.

The Committee heard the evidence given by the Chief Executive that the late submission of accounts by the Corporation was caused by the backlog in the preparation of the accounts of the earlier years of 1990/91, 1992/93 and 1993/94 for which no certificates had been issued by the office of the Auditor-General (Corporations).

The Committee further heard that the Corporation sought parliamentary approval for the extension of period of submission of accounts through the parent Ministry, but apparently the Ministry failed to seek authority.

The Committee while expressing its dissatisfaction with the failure by the Ministry to seek parliamentary approval for the extension of the submission period, nevertheless recommends that the corporation must at all times submit its duly signed accounts within statutory period.

2. FINANCIAL POSITION

During the year ended 30 June 1995, the Authority incurred a deficit of Kshs.37,336,713 (1993/94 surplus Kshs.1,294,317) resulting into an adjusted accumulated deficit of Kshs.103,332,448 as at 30 June 1995, (1993/94 Kshs.97,874,851). The Balance Sheet reflects a negative working capital of Kshs.100,292,856. The accounts of the Authority have, therefore, been prepared on a going concern basis on the assumption that its continued operation is dependent upon financial support by the Government. No satisfactory explanation has been given for Authority's precarious financial position.

The Committee heard the evidence given by the Chief Executive and noted that the Corporation's financial position has remained precarious due to an accumulated deficit of Kshs.103,332,448 as at 30th June, 1995 caused by underfunding.

The Committee was informed that the deficit was caused by:-

(i) **Underfunding in the previous years leading to accumulation of debts which were carried forward to the year under review.**

(ii) **Bank charges of Kshs.17,466,462.50 derived from the National Bank of Kenya overdraft which has been dormant since 1991.**

(iii) **Adverse weather which made the Authority to lose a whole plantation of bananas and sunflower at Yala Swamp due to El Nino rains.**

The Committee observed that the overdraft obtained from the National Bank of Kenya was for no specific project, not secured and not approved by the Board.

The Committee while noting that the Authority reduced its creditors by Kshs.23,722,488.50 and that a debt of Kshs.23.8 million owed to M & E consulting Engineers was cleared in the 1998/99 financial year, recommends that:-

(i) **The Government should adequately fund the Authority to enable it implement approved projects.**

(ii) **The Chief Executive should liaise with the parent Ministry and Treasury with a view to ensuring that the Bank overdraft is cleared in order to avoid further increase of the total amount due to escalation of interest accrued.**

3. OVER-EXPENDITURE

3.1 First Cost Overruns

Included in the Authority's total expenditure of Kshs.369,590,998.80 for the year ending 30 June 1995 is an amount of Kshs.78,251,351 being first cost overruns charged by a consultant and a contractor and against which Kshs.62,700,000 had been paid as at 30th June, 1995. The cost overruns which allegedly arose out of delayed payment in respect of the Authority's Rice Mill are reflected in these accounts as work in progress on West Kenya Rainfed Rice Development Project of Kshs.274,352,297 and included in the Balance Sheet fixed assets figure of Kshs.505,056,991. The expenditures were incurred and paid by the Authority in unsatisfactory manner in that they lacked support source documents source documents from both the consultant and contractor to justify the payments.

3.2 2nd Cost Overruns

A review of post Balance Sheet events on cost overruns to 31 July 1997 revealed that the Authority incurred further cost (second cost overruns) amounting Kshs.120,378,355.50 against which a total amount of Kshs.114,826,235.50 was paid to the consultant and contractor as at 31 July 1997 thereby bringing the total expenditure so far incurred on cost overruns to Kshs.198,629,706.50 as at the above mentioned date. The cost overruns claims were paid on the basis of workings made by the consultants of his and the contractor's behalf and lacked support source documents

to justify the payment.

Consequently, int he absence of the said support source documents I am unable to establish that the expenditure of Kshs.198,629,706 is a proper charge to public funds.

The Committee heard the evidence given by the Chief Executive that the Authority total expenditure during the year under review included an amount of Kshs.78,251,351 in respect of first cost overruns charged by a consultant and a contractor.

The Committee further heard that a review of post Balance Sheet events revealed that the Authority incurred a further second cost overruns amounting to Kshs.114,826,235.50 thereby bringing the total expenditure on cost overruns paid to the consultant and contractor to Kshs.198,629,706.50 as at 31st July, 1997.

The Committee was informed that the cost overruns arose out of delayed payment in respect of the Authority's Rice mill project.

The Committee was further informed that the Authority incurred expenditure on the cost overruns after discussing the matter with all concerned parties and authority was duly given in line with the established Government machinery.

The Committee observed that the expenditures were incurred and paid for by the Authority in unsatisfactory manner in that they lacked support source documents from both the consultant and contractor to justify the payments.

The Committee recommends that the Chief Executive should in future ensure that there is adequate budgetary allocation for projects before implementation to avoid cost overruns.

4. STALLED HEADQUARTERS BUILDING AND STAFF HOUSING PROJECT - KSHS.72,924,139

In 1988 the Authority awarded the tender for the construction of its Headquarters together with staff housing project to the lowest bidder at a price of Kshs.147,472,829. Later (in 1990) the Authority through its parent Ministry entered into a second agreement with another contractor in respect of the same contract but at an enhanced price of Kshs.396,650,283 thereby nullifying the earlier awarded tender. However, the circumstances under which the previous winning contract was terminated and the settlement terms were not clear. It is also not clear how the second contractor was identified since no documents were made available for audit verification. Further, the project stalled at 9% completion when the Authority had incurred Kshs.72,923,139 as at 30 June 1995. It was also observed that the project has continued to deteriorate due to weather conditions as a result of delayed completion.

The Committee heard the evidence given by the Chief Executive that the Authority awarded the tender for the construction of its headquarters and staff

housing project to M/s China Sichuan Corporation in 1988 at a cost of Kshs.147,472,829 which was later revised to Kshs.229,000,000.

The Committee further heard that in 1990 the then Parent Ministry of Regional Development, without involving the Authority entered into a second Agreement with M/s N. K. Brothers on the project for Kshs.396,650,283 thereby nullifying the earlier awarded tender which however, had not been executed as no financier had been identified.

The Committee was also informed that by the time the project stalled, the Authority had incurred Kshs.72,923,139 and that the stalled building which was handed over to Lake Basin Development Authority on 5th March, 1999 may not be completed due to lack of funding.

The Committee observed with concern that:-

(i) The parent Ministry entered into a negotiated contract with M/s N.K. Brothers for Kshs.396,650,283 thereby nullifying the earlier tender awarded to the lowest bidder M/s China Sichuan Corporation at a cost of Kshs.147,472,829.

(ii) The Contract agreement with the second contractor was signed by the then Ministry of Regional Development and the Ministry of Public Works and Housing without involving the Authority (LBDA) and further that the parent Ministry has never bothered to source for funds to complete the stalled project thereby tying public money amounting to Kshs.72,923,139.

(iii) Due to the delay in winding up the project, the contractor has been adjusting his outstanding claims which stood at Kshs.253,781,582 in March, 1999.

(iv) The contractor was identified on a single sourcing basis thereby denying the Authority the benefits of competitive bidding.

The Committee therefore recommends that the Kenya Anti-Corruption Authority should investigate payments made to M/s N.K. Brothers to the tune of Kshs.72,923,139 for the project which was only 9% done when the actual payments commensurate to the work done should have been Kshs.27,346,176. Some of the officers involved were the former Permanent Secretary, Ministry of Regional Development *Mr. Daniel Mboya* and the then Managing Director of the Authority *Mr. S.B. Obura*.

5. BANK OVERDRAFT - KSHS.63,818,892.35

As highlighted in my report for the year 1993/94, the Authority's Balance Sheet current liabilities still includes bank overdraft which as at 30 June 1995 stood at Kshs.63,818,892.35 (1993/94 Kshs.49,311,982.55) against an authorised limit of

Kshs.3,000,000 and which does not represent any tangible benefit which accrued other charges debited against the account since 1991. During the year under review such charges amounted to Kshs.17,466,958 (1993/94 Kshs.16,042,905) as a result of the Authority's failure to service the facility. Further information indicates that although the Authority paid Kshs.3,000,000 during the year to reduce the overdraft the same has escalated to Kshs.106,248,294 as at 30 June 1998 due to the said bank interest and charges. No satisfactory explanation has been given for the unsatisfactory manner in which this account was operated.

The Committee heard the evidence given by the Chief Executive that the Authority has been unable to repay an overdraft it had irregularly acquired from the National Bank of Kenya, Kisumu Branch and that the overdraft accrued Kshs.17,466,958 in charges due to failure to service the facility in the year under review.

The Committee was informed that:-

(i) The Authority tried to liquidate the debt by paying Kshs.1 million monthly in 1995 but could not sustain the payment due to irregular receipt of grants from Treasury and failure by the Bank to reduce their interest rates to 22% as promised.

(ii) The Bank agreed to accept a repayment proposal from the Authority and to waive the penalty interest charged on the overdraft.

(iii) Arising from the Bank and Authority consultations, the Bank now accepts a figure of Kshs.113,441,492.45.

The Committee noted with concern that:-

(i) That, the then Managing Director, *Mr. S. Obura* exceeded the overdraft authorised by the Board of Directors without the approval of both the Board and the Parent Ministry.

(ii) That although the Banks are aware that overdraft facilities to State Corporation must be sanctioned by the Treasury, the National Bank of Kenya agreed to grant overdraft facility without the necessary authority.

(iii) That the Board of Directors which included the representatives of both the Parent Ministry and Treasury failed to note the irregularity over a long time which meant that the Board lacked control over the management of the Authority.

(iv) That the Authority was grossly underfunded by the Parent Ministry during the 1997/98 financial year as 50% of the recurrent releases were not received by the Authority.

(v) That inspite of the former Managing Director, Mr. S. Obura having been

summoned by the Committee, he declined in writing vide letter dated 3rd February, 2000 to appear before the Committee.

The Committee reiterates its earlier recommendations under paragraph 3 of 1993/94 Eighth Report that:-

(i) The Chief Executive should urgently liaise with the Treasury and facilitate the payments of the part of the overdraft which relates only to Kshs.3 million that was approved by the Board.

(ii) The overdraft balances in excess of the approved Kshs. 3 million should be met by the National Bank of Kenya.

(iii) No State Corporation should incur an overdraft without the approval of the Treasury.

(iv) The all funds approved by Parliament for the Authority should be disbursed in full to the Authority every financial year.

The Committee further recommends that the Attorney-General should prosecute the former Chief Executive of the Lake Basin Development Authority, *Mr. Samuel Obura* for failing to honour the summons of the Committee as per the provisions of the National Assembly (Powers and Privileges) Act, Cap.6

The Committee also that the then Managing Director, *Mr. Samuel Obura* who exceeded the overdraft authorised by the Board of Directors should be barred from holding any public office conferred by the Republic of Kenya.

KERIO VALLEY DEVELOPMENT AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KERIO VALLEY DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 1995

In paragraph 1.0 of my report on the accounts for the year ended 30 June, 1994, reference was made to the ownership of the Turkwel Gorge Project which seemed to have been doubtful although its cost formed part of the Authority's Balance Sheet Fixed Assets. Reference was also made to the exlusion from the Authority's books of account of the sale proceeds of electricity generated by the project and supplied to the Kenya Power and Lighting Company Ltd.

The Authority has, during the year under review, excluded Kshs.6,813,573,600 in respect of the cost of the project as at 30 June, 1994 from its books of account purpotedly because the Government, has, as indicated in Note 2 to the accounts, not determined the projects' ownership. Arising from this state of affairs, the ownership of the project of this magnitude is still doubtful. It is also not possible to ascertain in whose books of account the Project's cost has now been accounted for.

Subject to the foregoing reservations, in my opinion, the accounts, when read together with the notes thereon, present a true and fair view of the Authority's financial state of affairs as at 30 June, 1995 and of its excess income over expenditure for the year then ended.

The Committee heard the evidence given by the Chief Executive that the ownership of the project is still unclear and that a project management Team under the Ministry of Energy is currently dealing with the transfer of assets to the various Government entities which include the Kenya Power and Lighting Company, Kenya Electricity Generating Company (KenGen) and the Regional Authorities.

The Committee was informed that:-

(i) KVDA initiated the implementation of the Turkwel Gorge Project in 1986 and was completed in 1990, and that later the Kenya Power and Lighting Company assumed the possession and control of the project.

(ii) Following the assumption and control of the project by M/s KPLC, the Authority struck off the accounts of the project from its books of accounts.

(iii) The Authority however, had accounted for the project upto 1993/94 financial year.

The Committee, reiterates its earlier recommendations under paragraph 1.0 of the 1993/94 (Eighth Report) that the project should cease to be included in the

Accounts of the Authority and that the project should be transferred to the Books of Kenya Power Company (Kenya Electricity Generating Company) which is Government owned without further delay.

KERIO VALLEY DEVELOPMENT AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KERIO VALLEY DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 1996

1. DEVELOPMENT GRANTS VIS-A-VIS DEVELOPMENT EXPENDITURE

During the year under review, the Authority received Kshs.1,500,000 as Development Grants and Kshs.53,796,844.80 as Appropriation-in-Aid to be applied towards development expenditure. However, the Authority incurred an expenditure of Kshs.16,952,802.70 only on development while the balance of Kshs.38,344,042.10 was diverted to recurrent expenditure. The Authority explained that it utilised the development funds to finance recurrent expenditure because it did not receive adequate recurrent funds from the Government. However, no approval in support of the reallocation between development and recurrent expenditure was produced. Further, the Authority did not differentiate in the Income and Expenditure Account the development income and expenditure from the recurrent. I am therefore, unable to confirm that the amount of Kshs.38,344,042 which was meant for development was properly incurred when diverted to recurrent expenditure.

The Committee heard the evidence given by Chief Executive that the Authority did not use Development vote funds to meet Recurrent vote expenditure and that Development projects incurred expenditure similar to types in Recurrent Expenditure.

The Committee was informed that the actual payments made by the Authority in Development vote amounted to Kshs.56,311,763.70 in the year under review and that in costing the projects implemented, all expenditures incurred including those of Recurrent nature were taken into account. The Committee noted with concern that development income was not differentiated from recurrent in the books of account.

The Committee recommends that the Chief Executive should desist from re-allocating funds from Development Vote to Recurrent Vote without obtaining the necessary Treasury approval.

The Committee further recommends that the Chief Executive should ensure that proper books of account are maintained and that development income is differentiated from recurrent income in the books of account.

2. SHORT TERM INVESTMENTS

The Balance Sheet term investments of Kshs.85,941,400 were placed in a Local Commercial Bank contrary to Treasury circulars which require that surplus funds of state corporations be invested in Treasury Bills and Bonds. Further, the amount was not supported with Fixed Deposit Receipts and was not entered int he Investment Register.

In the absence of such documents I was unable to ascertain the accuracy, existence and ownership of the investments.

The Committee heard the evidence given by the Chief Executive that the Authority invested Kshs.85,941,400 in the National Bank of Kenya.

The Committee was informed that:-

(i) On 15th August, 1996 the Government advised State Corporations to invest surplus funds in Treasury bills or banks with Government shareholding.

(ii) Copies of the fixed deposits receipts have been obtained in support of the deposits closing balance and the amount has been entered in the Investment Register.

The Committee noted that copies of the Fixed Deposit Receipts were not produced during the audit exercise contrary to section 29(3) of the Exchequer and Audit Act (Cap 412).

The Committee recommends that the Chief Executive should ensure that the Corporation's surplus funds are invested in accordance with existing Government financial regulations.

The Committee further recommends that the Chief Executive should ensure that all relevant supporting documents are produced to the Auditor-General (Corporations) as required by law.

3. LOSS OF SOLAR PANEL/COOLER HEAD WORTH 10 MILLION

The Authority leased its cooler truck to a farmer for use in his farm. For some unspecified reason, the farmer could not use the cooler after it had been delivered to him and thus returned it supposedly intact to the Authority's yard. It was later discovered that the cooler had been vandalised and the head and a number of panels both estimated to cost Kshs.10 Million stolen. Although the matter was investigated and four people arrested, no recovery of the assets has been made.

The Committee heard the evidence given by the Chief Executive that the following items were discovered missing on 19th November, 1996 on a cooler truck which had been leased to Mr. Reuben Chesire and who supposedly returned to the Authority's yards intact:-

Items	Value in (Kshs.)
185 solar panels	8,433,667.00
One (1) Compressor	179,000.00
Nineteen (19) batteries	2,750,000.00
One (1) gas cylinder	107,000.00
One (1) generator	535,720.00
Total	11,995,387.00

The Committee further heard that the police recovered forty six (46) solar panels worth Kshs.2,094,533.30 which have since been handed over to the Authority and that one suspect Mr. John Marrimoi who was the then transport officer was taken to court and judgement is yet to be delivered.

The Committee noted that:-

(i) The Authority leased its cooler truck to Mr. Reuben Chesire at a monthly fee of Kshs.40,000.00.

(ii) The truck was delivered to Mr. Chesire who took possession of the same for a period of more than one year but without payment of the agreed rental fees.

(iii) The truck was subsequently returned to the Authority.

The Committee recommends that Mr. Reuben Chesire should pay Kshs.40,000 per month for the period the cooler truck was in his possession.

The Committee further recommends that the Director of Kenya Anti-Corruption Authority should investigate the manner in which the cooler was leased to Mr. Chesire, delivered to him and subsequent receipt in the yard of the Authority with the missing parts with a view to prosecuting the culprits.

4. PURCHASE OF LAND - KSHS.6.6 MILLION

In a letter dated 17th October, 1995 the Authority was offered land reference parcel Nos. Eldoret Municipality Block 8/514 and 515 at a cost of Kshs.2.5 Million by two individuals one of whom is a board member. On 23rd April, 1996 the Authority bought from the individuals the same parcel of land at a cost of 6.6. million. Consequently, I am unable to form an opinion as to whether the Authority obtained value for money in respect of the land it acquired. It was further noted that no provision for this expenditure had been made in the annual budget for 1995/96. In addition, no evidence of prior approval in writing form the Parent Ministry and Treasury as required by Section 12 of the State Corporations Act, was produced for audit verification.

The Committee heard the evidence given by the Chief Executive that the vendors of the Land Ref. Eldoret Municipality Block 8/514-515 offered the pieces of land to the Corporation at Kshs. 2.5 million vide their letter of 17th October, 1995.

The Committee was informed that subsequent valuation of the land by the Uasin-Gishu district land valuer on 20th March, 1996 gave a value of Kshs. 6.6 million which the Authority used for negotiations with the vendors.

The Committee was further informed that the Authority subsequently bought the land at Kshs.6.6 million and that the decision to buy the same was made by the Board of management.

The Committee made the following observations:-

(i) A Board Member, Mr. Joseph Cheptarus and the then Managing Director Mr. Paul Chemweno connived with the vendors to defraud the Authority by purchasing the land at Kshs.6.6 million instead of Kshs.2.5 million initially offered by the vendors vide their letter of 17th October, 1995.

(ii) That the purchase of the said parcel of land was irregular as it was not in the year's budget, neither was it approved by the parent Ministry nor by the Treasury.

(iii) That the parent Ministry failed to carry out its supervisory role by abetting the flouting of rules by the Board and the then Managing Director.

The Committee therefore recommends that:-

(i) A Board Member, Mr. Joseph Cheptarus and the then Managing Director, Mr. Paul Chemweno should be held responsible for the irregular manner in which the land was bought and should jointly be made to pay an amount of Kshs.4,100,000 being the difference of the amount initially offered by the vendors and the amount finally paid to them.

(ii) The Director of Kenya Anti-Corruption Authority should investigate the then Board Members for abusing their judiciary duty as trustees by acting against the interest of the Authority with a view to prosecution.

(iii) The then Managing Director, Mr. Paul Chemweno should be banned from holding any public office conferred by the Republic of Kenya.

5. DIRECT PAYMENT OF LEGAL FEES - KSHS.4,912,558.10

The Authority advised its bankers to pay Kshs.5.0 million from its accrued interest on fixed deposit to a firm of Advocates in respect of deposit for legal charges. Pursuant to the instructions, the bank paid out a total of Kshs.4,912,558.10 in two cheques, one for Kshs.3,912,558.10 dated 13 June 1995 and another one for Kshs.1,000,000 also dated 13 June 1995 payable to another company. The total amount had been included

in the debtors and prepayments figure of Kshs.12,207,800 as at 30 June 1995. After the payments had been made, the firm of Advocates raised fee notes amounting to Kshs.3,388,475 leaving a balance of Kshs.1,524,083.10 for which fee notes have so far not been raised. Further, appointment of the advocates was not done according to the laid down procedure. No satisfactory explanation has been able to confirm the authenticity of the payments.

The Committee heard the evidence given by the Chief executive that the Authority paid Kshs.5.0 million from its accrued interest on fixed deposit to M/s Jim Choge and Company Advocates in respect of deposit for legal fees, retainer fees, decretal fees and all allied disbursements.

The Committee was informed that:-

(i) The Authority utilized the interest accrued on the four fixed deposits amounting to Kshs.4,912,558.10 for legal charges as there was no money in the Authority's regular accounts.

(ii) The Advocates submitted fifteen (15) interim fee notes in respect of the on-going cases totalling Kshs.3,338,475.00 leaving an unaccounted for prepayment of Kshs.1,524,083.10.

The Committee was further informed that the Board did not approve the appointment of Mr. Jim Choge and Co. Advocates.

The Committee further heard that the Advocates who were also the Authority's tenants on KVDA Plaza abandoned their offices and the Authority upon realizing this, impounded the partitioning materials in the Advocates' offices and sold them at Kshs.950,000.

The Committee noted that the Authority used the proceeds realized from the sale of the office partitioning materials to reduce the outstanding amount of Kshs.1,524,083.10 to Kshs.574,083.10. The Committee, however, further noted that the advocates had also defaulted in rent to the tune of Kshs.1,559,764.50 thus leaving a combined net debt of Kshs.2,133,847.60.

The Committee observed that:-

(i) The Authority irregularly pre-paid legal fees to M/s Jim Choge & Company Advocates before the fee notes were raised.

(ii) The then Chief Executive, Mr. Paul Chemweno hired the firm of advocates without the approval of the Board.

The Committee recommends that the then Chief Executive, Mr. Paul Chemweno should be surcharged for acting irregularly by appointing the firm of advocates without the Board's approval and for pre-paying the legal fees.

The Committee further recommends that the Chief Executive should use all means at his disposal including litigation to ensure that the outstanding amount of Kshs.2,133,847.60 is recovered from M/s Jim Choge and Company Advocates. The Committee also recommends that the Corporation should report M/s Jim Choge and Company Advocates to the Complaints Commission for professional misconduct.

6. PAYMENT OF COMPENSATION - KSHS.4,173,448

In September, 1995 and February, 1996 the Authority paid Kshs.1,166,348 and Kshs.3,007,100 respectively being compensation to people displaced during the construction of Turkwel Dam. The pay list revealed instances where some payments were made to persons on behalf of the original payees without the payees being properly identified by the Authority's authorised officials or by Chief of the area. In the absence of proper identification and other acceptable control measures to ensure payments were made to genuine persons, I have not been able to confirm that the total payments totalling Kshs.4,173,448 were received by the rightful claimants.

The Committee heard the evidence given by the Chief Executive that payments for compensation to people displaced during the construction of Turkwel Dam were made to genuine persons as the payees or their agents were identified by their chiefs before payment was done.

The Committee further heard that during the payments of September, 1995 and February, 1996, the Chiefs of Kapchok and Kasei locations respectively were present.

The Committee was informed that relatives of some of the beneficiaries were allowed to collect payments on their behalf after the chiefs pleaded for them and that all payees signed for the monies paid to them.

The Committee recommends that the Chief Executive should ensure that in future any such payments are made only after the payees have appended their signatures and national ID numbers.

7. SALE OF MOTOR VEHICLE (VOLVO) KAA 567E

During the year under review, the Authority sold the above vehicle to one of its Senior Employees at Kshs.470,000 using a Public Works Department valuation. Another undisclosed valuation done by Automobile Association of Kenya whose documents were not made available for audit was rejected by the Authority on grounds which have remained unclear. It was observed that the vehicle had, just before the sale, been repaired at a cost of kshs.259,889.30. Consequently, I am unable to confirm that the Authority obtained value for money in respect of sale of the vehicle.

The Committee heard the evidence given by Chief Executive that repairs were made on the following diverse dates on the vehicle KAA 567E at a cost of Kshs.259,889.30.

Date	Amount (Kshs.)
May, 1995	90,055.00
August, 1995	124,012.00
September, 1995	45,882.00
	259,889.30

The Committee was informed that the last two repairs of August and September, 1995 costing Kshs.169,894.00 were undertaken after a decision had been made to sell the vehicle on 7th July, 1995 vide Min.13/95/D. The vehicle was boarded and sold in February, 1996 to the then Managing Director, Mr. Paul Chemweno at Kshs.470,000.

The Committee was concerned that public funds were used to repair a vehicle that had already been earmarked for selling and that the then Chief Executive rejected valuation done by Automobile Association of Kenya of Kshs.544,000 and instead used the public works department valuation of Kshs.470,000.

The Committee was further concerned that procedures on disposal of assets were disregarded by the then Chief Executive.

The Committee recommends that the then Chief Executive Mr. Paul Chemweno should be surcharged Kshs.169,894.00 being the cost of two repairs undertaken on the vehicle after it had been earmarked for selling and a further Kshs.74,000 being the difference between the AAK valuation of Kshs.544,000 and the public works valuation of Kshs.470,000.

The Committee further recommends that Mr. Paul Chemweno be barred from holding any public office conferred by the Republic of Kenya.

NATIONAL IRRIGATION BOARD (NIB)

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL IRRIGATION BOARD (NIB) FOR THE YEAR ENDED 30TH JUNE, 1995

DEBTORS – NCPB – KSHS. 22,170,128/=

The debtors figure include Kshs. 22,170,128/= owed by the National Cereals and Produce Board since 1992/93 financial year. The debt has not been confirmed by NCPB but I understand that the two Boards are currently involved in reconciliation of the records. In view of the discrepancies of the two Boards' records and the long period the debt has been outstanding, its realization is in doubt and the current assets may be overstated.

The Committee heard the evidence given by the Chief Executive that the reconciliation of the debtors figure of Kshs. 22,170,128/= commenced in 1997 and it showed that the Board owed the National Cereals and Produce Board (NCPB) Kshs. 100,551,924.90 in Sindano rice account and NCPB owed NIB Kshs. 58,593,775.60 in basmatic rice account.

The Committee further heard that: -

(i) The reconciliation of basmati rice account is finalised and consequently NIB is expected to pay NCPB an amount of Kshs. 96,107.50.

(ii) The reconciliation of Sindano rice account is still in progress and is expected to end in October, 1999.

The Committee was informed that the debtors figure of Kshs. 22,170,128 has been reduced to Kshs. 4,832,190.50 and the necessary journal entries posted as at 30th June, 1997.

The Committee was concerned that the reconciliation exercise on the above account has taken long to be finalised.

The Committee therefore recommends that the Chief Executive should ensure that the reconciliation of the outstanding balance of Kshs. 4,832,190.50 is finalised by 30th September, 2000.

MWEA RICE MILLS LIMITED

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF MWEA RICE MILLS LIMITED FOR THE YEAR ENDED 30TH SEPTEMBER, 1995

1. BUDGETARY CONTROL

Over-expenditure on a number of items indicate that the Mills did not strive to confine its expenditure within budgetary limits. This was particularly so on the following expenditure items:-

Item	Budget K£	Actual K£	Variation K£
Salaries and Wages (Admin)	68,097	90,628	33
Admin. & Accountancy Charges	28,023	108,926	288.7
Travelling & Entertainment	17,556	21,785	24
Plant & Machinery Maintenance	859,129	1,125,836	31
Building Maintenance	83,357	102,613	23
Legal and Professional Fees	5,000	43,525	740.5

The over-expenditure has not been approved by the Company's Board of Directors.

The Committee heard the evidence given by the Chief Executive that the Mills incurred over-expenditure on the following items without approval by the Company's Board of Directors:-

Item	Budget K£	Actual K£	Variance K£
Salaries and Wages (Admin)	**68,097**	**90,628**	**22,531**
Admin. & Accountancy Charges	**28,023**	**108,926**	**80,903**
Travelling & Entertainment	**17,556**	**21,785**	**4,229**
Plant & Machinery Maintenance	**859,129**	**1,125,836**	**266,707**
Building Maintenance	**83,357**	**102,613**	**19,256**
Legal and Professional Fees	**5,000**	**43,525**	**38,525**

The Committee further heard that although no approval was sought for over-expenditure prior to 1994/95 financial year, such approval was sought from 1996/97 financial year.

The Committee was concerned that the Mills overspent excessively without due regard to their own budgetary provisions and without recourse to the relevant authorities for prior or retrospective approval as required by the law.

The Committee recommends that the Chief Executive should ensure that prudent budgetary and accounting practices are observed.

The Committee further recommends that failure by Chief Executive to observe approved budgetary provisions should lead to disciplinary action including surcharge.

2. INVESTMENT - SHAREHOLDING IN MWEA FEED MILLS LTD

Included in the Investment figure of K£336,,723 as at 30 June 1995 is K£24,000 being the Company's 30% shareholding in Mwea Feed Mills Ltd. Mwea Feed Mills Ltd has since been sold by the official receivers of M/s Kenya Industrial Estates after the Company was unable to service loans advanced to it. In view of this, the above investment of K£24,000 in Mwea Feed Mills Ltd will not be realised and in my opinion the investment is not worth the amount reflected in the accounts.

The Committee heard the evidence given by the Chief Executive and was informed that Mwea Rice Mills Ltd bought 24,000 shares from Mwea Feed Mills Ltd being 30% of the total share capital of the latter.

The Committee was further informed that in 1992, Mwea Feed Mills went into receivership and was subsequently sold, but the mills has been unable to realise its investment of K£24,000.

The Committee noted that the Board of Directors approved the write off of the K£24,000 and the same effected in the books of accounts thereby resolving the audit query.

KENYA DAIRY BOARD

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

1. SUBMISSION OF ACCOUNTS

According to Section 31 of the Exchequer and Audit Act, (Cap 412) the accounts of the Board should have been submitted for audit on or before 31st October, 1995. the accounts were however submitted on 12 August 1996, nine months after the statutory deadline. No evidence was made available to confirm that the Board had sought permission from the National Assembly to extend the date of submission of the accounts as required by the law.

The Committee heard the evidence given by the Chief executive that the Corporation delayed in submitting its accounts for the year 1994/95 and also failed to seek parliamentary approval for the extension and submission period as required by law.

The Committee was informed that the delay in submission of accounts was caused by:-

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(i) Backlog of previous year's accounts which had to be cleared coupled with limited personnel.

(ii) A manual accounting system used by the Board which makes preparation of accounts tedious and labour intensive.

The Committee noted that the Board had cleared the backlog of accounts and are now updated.

The Committee was concerned that the Board's accounts are always submitted late without seeking permission from the National Assembly in accordance with Section 31 of the Exchequer and Audit Act (Cap. 412).

The Committee recommends that the Chief Executive of the Corporation who causes delay in the submission of accounts for audit and who fails to seek parliamentary approval to submit outside the statutory period should be dismissed from public service.

The Committee further recommends that the Attorney-General should make provisions in the Exchequer and Audit Act (Cap. 412) to provide for punitive measures against the Chief Executives who delay in submitting the parastatals accounts for audit, failure to which the adoption of the Report will be treated as leave to introduce an amendment to Cap. 412 to provide for such punitive measure.

2. FINANCIAL POSITION

During the year under review the Board made a loss of Kshs.6,594,474 and the Balance sheet at 30th June 1995 reflected a negative working capital of Kshs.8,392,586 (1994 - Kshs.3,265,340. The Board's creditors increased from Kshs.5,654,353 as at 30 June 1994 to Kshs.10,090,114 as at 30 June 1995. The Board was therefore technically insolvent and its continued operations as a going concern will depend on the continued support from its creditors, bankers and the Government.

The Committee heard the evidence given by the Chief Executive and was informed that the Board made a loss of Kshs.6,594,474 and its accounts reflected a negative working capital of Kshs.8,392,386 in the year under review.

The Committee was further informed that the financial position of the Board worsened in the year under review due to the following factors:-

(i) A remarkable increase in prices of goods and services due to inflation caused by depreciated Kenya Shillings against the hard currencies.

(ii) Inheritance by the Board of the Ex-Kenya Milk Records staff overheads and liabilities without corresponding budgetary provisions.

(iii) Inadequate funding and non-remittance in full of the approved Exchequer grants for three consecutive financial years 1991/92 - 1993/94 to the tune of Kshs.4,933,948 by the parent Ministry.

(iv) Reduction in revenue due to ministerial directive of February 1984 by the parent Ministry exempting Kenya Cooperative Creameries Ltd from payment of cess to the Board as provided for by law under Cap. 336 of the Laws of Kenya.

The Committee noted that the Board was stepping up revenue collection as evidenced in the income and expenditure account.

The Committee recommends that the parent Ministry should release all the exchequer grants appropriated to the Board by Parliament.

The Committee further recommends that the Chief Executive should explore other avenues of generating revenue and to put in place austerity measures with a view to cutting down the over-head costs.

3. SUSPENSE ACCOUNTS - KSHS.809,740

The Board's Balance sheet shows a suspense account of Kshs.809,740 as shown in note 5 to the accounts. The Management has stated that these amounts were as a result of debits in the bank accounts, commissions and unposted revenue collections but, as in the previous year, no supporting documents were made available for my verification. Further an amount of Kshs.800,000 was credited to the suspense account reducing the amount

of Kshs.809,740 to Kshs.9,740. Likewise, no documentary evidence to support the adjustment has been provided for my verification. In the absence of such evidence, I am unable to give an opinion on whether the amounts of cash and bank balances as well as bank overdraft shown in the Balance sheet are correctly stated.

The Committee heard the evidence given by the Chief Executive that the suspense account of Kshs.809,740.00 reflected in the accounts includes Kshs.415,889.20 brought forward from the previous year.

The Committee was informed that:-

(i) Proper bank reconciliation has since been done and the amounts posted in the suspense account identified and adjusted as per 1996/97 accounts.

(ii) The amount of Kshs.800,000 credited to the suspense account relates to funds received and receipted as grants from the parent Ministry at the close of financial year 1994/95 but was banked in the subsequent year 1995/96.

The Committee recommends that the Chief Executive should always avail supporting documents for audit verification as and when required.

4. DEBTORS AND PRE-PAYMENTS - KSHS.1,772,793

4.1 Included in the figure of Debtors and re-payments shown in the Balance sheet is a figure for fuel deposits of Kshs.228,000, after writing off Kshs.24,000 without the Board of Directors approval, which has been outstanding for the last four years. Some of these deposits are irrecoverable as the petrol stations have either changed hands or stopped operations.

4.2 Also included in the same figure of debtors is an amount of Kshs.37,118 being staff advances due from various officers who have either left the Board or have passed away. The Management does not appear to have put much effort to recover the advances from the said officers.

4.3 The debtors figure also included an amount of Kshs.318,250 being expected compensation of a motor vehicle claim from Kenya National Assurance Company (in liquidation). The recoverability of this amount seems doubtful, given that Kenya National Assurance presented a counter claim for unpaid premiums not settled, totalling Kshs.305,636 for the year 1993/94.

The figures of debtors shown in the Balance Sheet appears overstated to the extent of the unrecoverable fuel deposits and other debts for which no provision has been made in the accounts.

The Committee heard the evidence given by the Chief Executive that the Board made a provision of "bad and doubtful debts" for fuel deposits amounting to Kshs.228,000 in order to cater for its irrecoverability pending approval from the

Board of Directors with a view to writing them off.

The Committee was informed that:-

(i) An amount of Kshs.24,000 was written off by the management in consultation with the Board's Chairman, as there was no fully constituted Board of Directors at the time.

(ii) The staff advances amounting to Kshs.37,811.00 were written off due to inability to recover as most of the staff concerned had left the service and were untraceable while the rest were deceased.

(iii) The compensation claim for the Board's motor vehicle amounting to Kshs.318,250 which was forwarded to the liquidator of Kenya National Assurance Company Ltd (in liquidation) for settlement is yet to be discharged.

(iv) The attempt by Kenya National Assurance to justify issuance of a Credit Note amounting to Kshs.305,636.00 purported to be the outstanding premiums to offset the Board's claim was rejected on the grounds that it had actually been paid through the agents.

The Committee recommends that the Attorney-General should investigate the directorship of the original petrol companies and the circumstances under which Kshs.228,000 in respect of fuel deposits were obtained with a view to prosecuting those involved.

The Committee further recommends that the Chief Executive should continue to follow up its claim of Kshs.318,250 with the Kenya National Assurance Company Ltd (in liquidation) upto its conclusion.

5. LAND AND BUILDINGS - KSHS.2,795,443

As mentioned in my previous year's report, the amount of Kshs.2,795,443 shown in the Balance Sheet for Land and Buildings is composed of the Board's offices which were constructed and handed over to the Board on 19th November 1991. The Board has not moved to the premises and continues to rent offices as an annual rent of Kshs.1,141,110 as shown in the accounts of the year under review. The Management claims that they could not move due to uncompleted facilities such as sewerage systems, electricity and roofing. It is not clear how the building was handed over as complete without these vital components or why no action has been taken to complete it since 1991. Further the Management did not provide depreciation for it as required by Kenyan Accounting Standard Number 5.

The Committee heard the evidence given by the Chief Executive and was informed that the construction of Board's offices at Nairobi South 'C' was intended to be done in phases under different sub-contractors and that the main contract works awarded to M/s Miira Construction Company were completed and

handed over to the Board in November, 1991.

The Committee was further informed that:-

(i) The second phase of the project which was to include sewerage system, electricity, telephone and roofing was not sub-contracted due to liquidity problems.

(ii) An estimated Kshs.7 million is required for the completion of the building and that given lack of funds in the foreseeable future, the Board will continue to rent offices from Coffee Board of Kenya.

The Committee heard that the Board has obtained Title Deeds for its property in Nairobi south 'C' and that it intends to carry out valuation on the land and building with a view to providing for their depreciation.

The Committee was concerned that the Corporation took long to secure title deed for its property in Nairobi South 'C'.

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

(i) The parent Ministry should provide the extra funds required to complete the Board's office in Nairobi South 'C'.

(ii) The parent Ministry should supervise the construction works to its completion.

6. STAFF PENSION FUND

Included in the figure of creditors of Kshs.10,090,114 shown in the Balance sheet is an amount of Kshs.2,249,322 payable to an insurance company on account of Staff Pension Fund which was being run with the insurance company, now in liquidation. This amount had not been paid to the insurance company as agreed. The Board has been operating this pension scheme for a number of years. The amount contributed and owed to the Board's staff on account of their pension so far has not been reflected in the Board's accounts and I was not given documents for my verification to establish the total amount involved. I have not also seen correspondence between the Board and the insurance company or its liquidators indicating the availability of the funds as the members of staff retire. The Board was in breach of its obligations to contribute towards the staff pension fund on a monthly basis.

The Committee heard the evidence given by the Chief Executive that included in the figure of creditors of Kshs.10,090,114 is an amount of Kshs.2,249,322 which was to be paid to Kenya National Assurance Company Ltd (in liquidation) on account of Staff Pension Fund.

The Committee further heard that the Corporation withheld pension remittances

to the tune of Kshs.2,249,322 in the year under review with a view to safeguarding the employees' interest and benefits when the insurance firm started facing operational difficulties to the extent of facing insolvency.

The Committee was informed that the Kenya National Assurance Company was placed under receivership in the subsequent year 1995/96 and that the Board has made efforts to follow-up the invested funds and compensation without success.

The Committee noted that a firm of Insurance Consultants M/s Beric Insurance Agency was appointed by the Board to take up the matter with the liquidators.

The Committee recommends that:-

(i) The withheld pension remittances of Kshs.2,249,322 should be invested in accordance with Retirement Benefit Act by 31st December, 2000.

(ii) The Chief Executive should follow up the Board's invested funds and compensation with the liquidators of the defunct Kenya National Assurance Ltd upto its conclusive end.

KENYA DAIRY BOARD

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

1. CONSTITUTION OF BOARD OF DIRECTORS

As in the previous year, the Corporation operated without a legally constituted Board of Directors, contrary to the requirements of Section 5(1) of the Dairy Industrial Act, (Cap 336) and Section 6(1) of State Corporations Act, (Cap 446). In the absence of such a Board of Directors, it is clear that the requirements of Section 15(1) of State Corporations Act, regarding accountability for the Board's money, financial business and management were not upheld during the year.

The Committee heard the evidence given by the Chief Executive that the Board operated without a legally constituted Board of Directors in the year under review and that this was due to non-constitution of the Central Agricultural Board.

The Committee was informed that:-

(i) During the year in question, the financial business and management of the Board was discharged by the Chairman and Managing Director.

(ii) The Board of Directors was constituted in January 1996 for a tenure of three years which ended in January 1999; and that a new Board of Directors is not yet constituted.

(iii) The parent Ministry is working on a policy framework for the Dairy Industry in view of the liberalization policy.

The Committee noted that the Ministry of Agriculture failed to appoint a Board of Directors for the Board and therefore the Board has operated illegally from January, 1999 to date without a reasonable cause.

The Committee recommends that the parent Ministry should ensure that a Board of Directors is constituted immediately.

2. FINANCIAL POSITION

The Board's Balance Sheet as at 30th June, 1994 showed a negative working capital of Kshs.3,265,340.35 as compared to Kshs.181,817.95 the previous year. Further the Board's accounts would have reflected a deficit of Kshs.3,728,007.00 if the amount of revaluation relating to motor vehicles of Kshs.4,767,250.00 treated as an income in the accounts was correctly treated as capital reserve. The accounts were not also charged with the depreciation of the motor vehicles after the revaluation and this omission

overstates the surplus shown in the accounts. Moreover, revaluation of the motor vehicles was not professionally done.

The Committee heard the evidence given by the Chief Executive that the Board's accounts showed a negative working capital of Kshs.3,265,340.35 during the year under review which resulted from inadequate budgetary provisions of grants from the parent Ministry.

The Committee was informed that the status of working capital of the Board has continued to worsen following a directive from the Ministry of Agriculture to Kenya Cooperative Creameries Ltd (KCC) in 1984 vide letter MLD/DB/A1/036 instructing it to stop remitting cess to the Board for its operations and the low rate of cess which has remained at 0.2 cents per litre since 1958.

The Committee was further informed that the Board carried out a proper revaluation of motor-vehicles in May 1996, using the Automobile Association of Kenya and the necessary adjustments made in the books.

The Committee noted that the Board has appealed to the parent Ministry to revoke the directive to KCC on the remittance of cess and to review upwards the rate of cess.

The Committee observed that the parent Ministry has continued to underfund the Board to the extent that the Board's roles in the Dairy Industry has been adversely affected.

The Committee recommends that the parent Ministry should increase the funding of the Board.

3. SUSPENSE ACCOUNTS - KSHS.415,889.20 AND KSHS.64,044.45

The Board's Balance Sheet shows a suspense account of Kshs.415,889.20 as shown in note 5 to the accounts and a further suspense account of Kshs.64,044.45 included in the figure of accumulated fund as per note 7 to the accounts. The management has stated that these amounts were as a result of debits in the bank accounts but no supporting documents were made available for my verification. In the absence of such evidence, I am unable to give an opinion on whether the amounts of cash and bank balances as well as bank overdraft shown in the Balance Sheet are correctly stated.

The Committee heard the evidence given by the Chief Executive and was informed that a suspense account of Kshs.64,044.45 forms part of the total suspense account of Kshs.415,889.20 shown in the accounts.

The Committee was further informed that the amount arose due to lack of proper bank reconciliation in the Savings Account during the year under review and that the figures have been adjusted and cleared in the 1996/97 accounts.

The Committee noted that the reconciliation and analysis of the two figures of Kshs.64,044.45 and Kshs.415,889.20 have since been verified in the 1996/97 audit.

The Committee while noting that the figures have since been reconciled and verified, nonetheless recommends that the Chief Executive should always avail supporting documents for audit verification as and when required.

4. ACCUMULATED FUND - KSHS.5,412,886.45

Included in the figure of accumulated fund shown in the Balance Sheet are a suspense account of Kshs.64,044.45 and telephone accruals of Kshs.478,523.70 for which the management did not provide supporting documents for my verification. In the absence of this evidence, I was unable to confirm that the figure of accumulated fund is fairly stated.

The Committee heard the evidence given by the Chief Executive that included in the accumulated fund of Kshs.5,412,886.45 was:-

(i) The figure of Kshs.64,044.45 which arose due to lack of proper bank reconciliations of the Savings Accounts and which have since been reconciled and adjusted accordingly.

(ii) The telephone accruals of Kshs.478,523.70 for which the management had not provided supporting documents for verification but whose supporting documents were later produced in the subsequent financial year 1994/95 and appropriate entries made in the books of Account.

The Committee while noting that the required supporting documents were subsequently provided for verification, recommends that the Chief Executive should always avail supporting documents for audit verification as and when required.

5. DEBTORS AND PREPAYMENTS - KSHS.1,678,005.95

Included in the figure of Debtors and Prepayments shown in the Balance Sheet is a figure of fuel deposits of Kshs.252,000.00 which has been outstanding for the last three years, some of which is irrecoverable because petrol stations have either changed hands or stopped operations. Also included in the same figure of debtors is an amount of Kshs.70,000.00 due from a former Chairman of the Board. The Management does not appear to have put any effort to recover the amount from him. The debtors figure is also overstated by Kshs.22,236.45 being amount recovered on car loan but wrongly treated in the books.

The Committee heard the evidence given by the Chief Executive that the Board has communicated to the suppliers of fuel in respective of fuel deposits of Kshs.252,000.00 and that as a result an amount of 48,186.00 has been recovered and a provision of "bad debts" has been made on the balance pending

the Board's deliberation to write-off.

The Committee was informed that:-

(i) An amount of Kshs.50,000.00 was recovered in April 1995 from a former Chairman who had been granted a salary advance of Kshs.70,000.00, while the balance of Kshs.20,000.00 had been written-off as "bad debt" considering the legal costs involved in its recovery.

(ii) The debtors figure of Kshs.22,236.45 was an error of omission which resulted from the car loan account reconciliation and which has since been rectified in the subsequent year.

The Committee recommends that the Attorney-General should investigate the directorship of the original petrol companies and the circumstances under which Kshs.173,814 in respect of fuel deposits were obtained with a view to prosecuting those involved.

The Committee further recommends that the Chief Executive should ensure that the balance of Kshs.20,000 plus Kshs.16,000 in respect of legal fees from former Chairman of the Board, *Mr. Nelson Lelei* is recovered in full through all means including litigation by 31st December, 2000.

6. LAND AND BUILDINGS - KSHS.2,795,443.00

The amount of Kshs.2,795,443.00 shown in the Balance Sheet as Land and Buildings is composed of the Board's offices which were constructed and handed over to the Board on 19th November, 1991. The Board has not moved to the premises but continues to lease offices as annual rent of Kshs.899,010.00 as shown in the accounts of the year under review. The management informed me that they could not move due to uncompleted facilities such as sewerage system, electricity and provision of roof. It is not clear how the buildings was handed over as complete, without these vital components or why no action has been taken to complete it since 1991. The Management has further not availed title documents for this property for my verification.

The Committee heard the evidence given by the Chief Executive and was informed that the construction of Board's offices at Nairobi South 'C' was intended to be done in phases under different sub-contractors and that the main contract works awarded to M/s Miira Construction Company were completed and handed over to the Board in November 1991.

The Committee was further informed that:-

(i) The second phase of the project which was to include construction of essential facilities, sewerage system, electricity and roofing was not sub-contracted due to lack of funding.

(ii) An amount of Kshs. 7 million is required for the completion of the

building and that given lack of funding in the foreseeable future, the Board will continue to rent offices from Coffee Board of Kenya.

The Committee heard that the Board has obtained Title Deeds for its property in Nairobi South 'C' and that it intends to carry out valuation on the land and building with a view to providing for their depreciation.

The Committee was concerned that the Corporation took long to secure title deed for its property in Nairobi South 'C'.

The Committee recommends that the parent Ministry should provide the extra funds required to complete the Board's office in Nairobi south 'C'.

The Committee further recommends that the parent Ministry should supervise the construction works to its completion.

HIGHER EDUCATION LOANS FUND

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF HIGHER EDUCATION LOANS FUND FOR THE YEAR ENDED 30TH JUNE, 1993

1. LATE SUBMISSION OF ACCOUNTS

Although the Fund was required by Section 31 of the Exchequer and Audit Act, (Cap 412) to submit for audit its 1992/93 accounts by 31st October 1993, the accounts signed on 26th August 1997 were received on 1st September, 1997. No resolution by the National Assembly authorising submission of the accounts outside the statutory period was made available for audit.

The Committee heard the evidence given by the Chief Executive that the 1992/93 accounts of the Fund were submitted late contrary to Section 31 of the Exchequer and Audit Act and without seeking parliamentary approval of submitting them outside the statutory period.

The Committee further heard that the said accounts were prepared within the time frame but were misplaced between the Ministry of Education and the offices of the Chairman of the Board of Management when they were forwarded to him for signing.

The Committee recommends that the Chief Executive should ensure that the Fund's accounts are submitted to the Auditor-General (Corporations) on time in accordance with the Exchequer and audit Act (Cap 412).

The Committee further recommends that Chief Executive should seek Parliamentary approval in the event of late submission of accounts.

2. ADVANCES/DEBTORS

The Balance Sheet advances figure of Kshs.4,016,969 is in respect of loans which were issued between 1953 and 1993 while the Balance sheet Debtors figure of Kshs.3,391,766 includes Kshs.3,274,766 in respect of interest accrued on such loans between 1953 and 1993. According to Section 38 of the Higher education Loans Board Act, these debts are no longer time barred. However, I have not been able to establish how much of these debts the Board has recovered since the enactment of the Act in 1995.

The Committee heard the evidence given by the Chief Executive that all loans issued by the Higher Education Loans Fund between 1953 and 1995 are not time barred as amendment was made on the Limitation Act Cap.22 to that effect.

The Committee was informed that the Ministry of Education, which still has in its custody all the records relating to the HELF, is currently receiving all

repayments in respect of loans issued between 1953 and 1993 amounting to Kshs.4,016,969 and interest accrued on the loans amounting to Kshs.3,274,766.

The Committee was concerned that the Ministry of Education has taken inordinately long time to hand over records of the defunct HELF to the Higher Education Loans Board (HELB).

The Committee recommends that the Ministry of Education should transfer all rights, duties, obligations, assets and liabilities to the Higher Education Loans Board by 30th September, 2000.

The Committee further recommends that the Chief Executive should ensure that all recoverable loans advanced between 1953 and 1995 by the Higher Education Loans Fund (HELF) are followed up and collected in full.

3. BANK BALANCE

As in the previous year, the Fund did not avail Bank reconciliation statements for audit verification and neither did it obtain a bank balance confirmation certificate for the purpose of these accounts. It was not, therefore, possible to confirm the correctness of the Bank balance figure of Kshs.928,031 reflected in the Balance Sheet.

The Committee heard the evidence given by the Chief Executive that bank reconciliation statements and bank balance confirmation certificate in respect of Kshs.928,031.15 of the defunct Higher Education Loans Fund (HELF) could not be availed to the auditors as HELF's disbursements records and receipts were held by the Ministry of Education.

The Committee further heard that the Kshs.928,031.15 was part of the bank balances in the Paymaster General Deposits account and is separately recorded in the deposits register.

The Committee therefore recommends that the Chief Executive should liaise with the parent Ministry and Auditor-General (Corporations) with a view to reconciling the Bank balance figure of Kshs.928,031 reflected in the Balance Sheet.

4. SUSPENSE ACCOUNT

The Balance Sheet suspense figure of Kshs.71,226 is a balancing figure resulting from the amount by which debits in the Trial Balance exceeded the credits. As the Fund was unable to identify the cause on this difference, it was not possible to ascertain its effect on these accounts.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet suspense figure of Kshs.71,226 represents un-identified balance carried forward from 1987/88 financial year. The Committee was informed that the

balance has since been reduced to Kshs.14,185.85 as at 30th June, 1996.

The Committee recommends that the Chief Executive should identify the cause of the outstanding suspense account amounting to Kshs.14,185.85 and forward the information to the Auditor-General (Corporations) for verification.

5. DEPOSITS

The Balance Sheet figure of Kshs.700,000 represents deposits in Cereals and Sugar Finance Corporation. As the Fund did not avail certificates of confirmation of deposits held from the Corporation for verification, I was unable to confirm the correctness of the figure of Kshs.700,000 appearing in the Balance Sheet and Kshs.120,000 in respect of income on investments as reflected in the Income and Expenditure Account.

The Committee heard the evidence given by the Chief Executive that certificates of confirmation of deposits of Kshs.700,000 invested in Cereals and Sugar Finance Corporation cannot be traced.

The Committee was informed that:-

(i) That the Fund has communication from the Cereals and Sugar Finance Corporation (CSFC) confirming the existence of the amount and that CSFC has not been able to pay any interest accrued due to financial constraints.

(ii) That the ailing Corporation held the following Short Term Deposits from the Fund in the 1992/93 financial year:-

Details of Investment	Rate	Amount
Higher Education Loans Fund	14 days call each 16.5% p.a.	250,000
Higher Education Loans Fund	6 months call each 17.5% p.a.	450,000
		700,000

The Committee was concerned that the certificates of confirmation of deposits of KShs. 700,000 invested in Cereals and Sugar Finance Corporation (CSFC) cannot be traced.

The Committee was further concerned that CSFC has not been able to pay any interest accrued on the deposits due to financial constraints.

The Committee recommends that the Chief Executive should liaise with the Ministry of Education and the Ministry of Finance and Planning with a view to ensuring that the deposits of Kshs.700,000 invested in the Cereals and Sugar Finance Corporation is withdrawn without further delay.

HIGHER EDUCATION LOANS FUND

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF HIGHER EDUCATION LOANS FUND FOR THE YEAR ENDED 30TH JUNE, 1994

1. LATE SUBMISSION OF ACCOUNTS

Although the Fund was required by Section 31 of the Exchequer and Audit, (Cap 412) to submit for audit its 1993/94 accounts by 31st October 1994, the accounts signed on 18th August 1997 were received on 1st September, 1997. No resolution by the National Assembly authorising submission of the accounts outside the statutory period was made available for audit.

The Committee heard the evidence given by the Chief Executive that the 1993/94 accounts of the Fund were submitted late contrary to Section 31 of the Exchequer and Audit Act, (Cap 412) and without seeking parliamentary approval to submit them late.

The Committee further heard that the said accounts were prepared within the time frame but were misplaced between the Ministry of Education and the Office of the Chairman of the Board of Management.

The Committee reiterates its earlier recommendation under paragraph 1 of the 1992/93 that:-

(i) The Chief Executive should ensure that the Fund's accounts are submitted to the Auditor-General (Corporations) on time in accordance with the Exchequer and Audit Act, (Cap 412).

(ii) The Chief Executive should seek Parliamentary approval in the event of late submission of account.

2. ADVANCES/DEBTORS

The Balance Sheet advances figure of Kshs.4,546,287 is in respect of loans which were issued between 1953 and 1994 while the Balance Sheet Debtors figure of Kshs.3,635,455 includes Kshs.3,470,027 in respect of interest accrued on such loans between 1953 and 1994. According to Section 38 of the Higher Education Loans Board Act, these debts are no longer time barred. However, I have not been able to establish how much of these debts the Board has recovered since the enactment of the Act in 1995.

The Committee heard the evidence given by the Chief Executive that all loans issued by the defunct Higher Education Loans Fund (HELF) between 1953 and 1995 are not time barred as amendment was made on the Limitation Act Cap.22 to that effect.

The Committee was informed that the Ministry of Education, which still has in its custody all the records relating to the HELF, is currently receiving all repayments in respect of loans issued between 1953 and 1993 amounting to Kshs.4,546,287 and interest accrued on the loans amounting to Kshs.3,470,027.

The Committee was further informed that deposits bank reconciliations in respect of the said advances are done on monthly basis and submitted to Controller and Auditor-General for auditing.

The Committee was concerned that the Ministry of Education has taken unnecessarily longtime to hand over records of the defunct Higher Education Loans Fund to the Higher Education Loans Board (HELB).

The Committee therefore reiterates its earlier recommendation under paragraph 2 of the 1992/93 accounts that:-

(i) The Ministry of Education should transfer all rights, duties , obligations, assets and liabilities of the defunct Higher Education Loans Fund to the Higher Education Loans Board by 30th September, 2000.

(ii) The Chief Executive should ensure that all recoverable loans advanced between 1953 and 1995 by the Higher Education Loans Fund (HELF) are followed up and collected in full.

3. BANK BALANCE

As in the previous year, the Fund did not avail Bank reconciliation statements for audit verification and neither did it obtain a bank balance confirmation certificate for the purpose of these accounts. It was not, therefore, possible to confirm the correctness of the Bank balance figure of Kshs.470,611 reflected in the Balance Sheet.

The Committee heard the evidence given by the Chief Executive that Bank reconciliation statements and bank balance confirmation certificate in respect of Kshs.470,611 of the defunct Higher Education Loans Fund (HELF) could not be availed to the auditors as HELF's disbursement records and receipts were held by the Ministry of Education.

The Committee reiterates its earlier recommendation under paragraph 3 of the 1992/93 accounts that the Chief Executive should liaise with the parent Ministry and the Auditor-General (Corporations) with a view to reconciling the Bank Balance figure of Kshs.470,611 reflected in the Balance Sheet.

4. DEPOSITS

The Balance Sheet figure of Kshs.700,000 represents deposits in Cereals and Sugar Finance Corporation. As the Fund did not avail certificates of confirmation of deposits held from the Corporation for audit verification, I was unable to confirm the correctness

of the figure of Kshs.700,000 appearing in the Balance Sheet and Kshs.120,000 in respect of Income on investments as reflected in the Income and Expenditure Account.

The Committee heard the evidence given by the Chief Executive that certificates of confirmation of deposits of Kshs.700,000 invested in Cereals and Sugar Finance Corporation have not been availed by the Corporation.

The Committee was informed that:-

(i) The Fund has received communication from the Cereals and Sugar Finance Corporation (CSFC) confirming the existence of the amount and that CSFC has not been able to pay any interest accrued due to financial constraints.

(ii) The ailing Corporation held the following Short Term Deposits from the Fund in the 1992/93 Financial Year:-

Details of Investment	Rate	Amount
Higher Education Loans Fund	14 days call each 16.5% p.a.	250,000
Higher Education Loans Fund	6 months call each 17.5% p.a.	450,000
		700,000

The Committee was concerned that the Certificates of Confirmation of deposits of Kshs.700,000 invested in Cereals and Sugar Finance Corporation (CSFC) have not been availed by the Corporation.

The Committee was further concerned that CSFC has not been able to pay any interest accrued on the deposits due to financial constraints.

The Committee reiterates its earlier recommendation under paragraph 5 of the 1992/93 accounts that the Chief Executive should liaise with the Ministry of Education and Ministry of Finance with a view to ensuring that the deposits of Kshs.700,000 invested in the Cereals and Sugar Finance Corporation is withdrawn without further delay.

COFFEE BOARD OF KENYA

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF COFFEE BOARD OF KENYA FOR THE YEAR ENDED 30TH SEPTEMBER, 1994

1. PERFORMANCE

During the year under review, the Board realised a surplus of Kshs.2,963,000 (1992/93 surplus Kshs.137,370,000). The adverse result was caused by an adjustment of Kshs.164,000,000 against the revenue account and the transfer of the same to creditors as rebates to planters. However, information obtained indicate that the adjustment was necessitated by what the Board termed adverse tax implications emerging as a result of reflecting the apparent surplus in the accounts for the year. Had the adjustments not been made, the Board's reported surplus would have been Kshs.166,963,000. The Balance Sheet non-marketing deficit of Kshs.110,773,000 would have been surplus of Kshs.53,227,000. Similarly, the negative working capital of Kshs.118,214,000 would have been positive Kshs.45,786,000. Consequently, Iam unable to state whether the adjustment of Kshs.164,000,000 is a proper charge against the revenue. Besides the adjustment contravenes the provisions of Section 72(2) of the Income Tax Act thus exposing the Board to heavy penalties and fines.

The Committee heard the evidence given by Chief Executive that despite realising a surplus of Kshs.2,963,000 the Board's result was adversely affected by an adjustment of Kshs.164,000,000 against the revenue account and the transfer of the same to creditors as rebates to planters.

The Committee was informed that:-

(i) The adjustment made against revenue account resulted in a cumulative deficit of Kshs.110,773,000 and a negative working capital of Kshs.118,214,000.

(ii) The Board allowed a rebate of Kshs.164 million to planters' Account in 1993/94 in conformity with policy of levy rebates.

The Committee was concerned that the Board has had a tendency of raising levy to meet its operational deficit instead of controlling its expenditure.

The Committee was further concerned that the adjustment made against revenue contravenes the provisions of section 72(2) of the Income Tax Act thus exposing the Board to heavy penalties and fines.

The Committee reiterates its earlier recommendation in the Eighth Report that any future increase of this levy should be done in consultation with the farmers and the enabling Act should be amended accordingly.

2. TRANSLATION OF FOREIGN CURRENCY

The Balance Sheet cash in hand and at the banks figure of Kshs.338,604,000 and the Bank Overdraft of Kshs.14,197,000 are net totals of various bank balances held by the Board as at 30 September, 1994. They, however, included Kshs.397,021,288 and Kshs.94,478,797 cash at bank and overdraft respectively translated from US dollars held by the Board as at 30th September, 1994.

Note 1(e) to the Accounts indicates that the translation of dollars into Kenya Shillings of Monetary items of assets and liabilities expressed in foreign currency was done using an average rate of Kshs.61.65 instead of the rate ruling at the Balance Sheet date of Kshs.48.9964. The Board's translation is, therefore, contrary to provisions of paragraph 4.4 of Kenya Accounting Standard No. 9 which requires that the rate ruling at the close of Balance Sheet date should be used. As a result of the Board's deviation from the provisions of the accounting standard the Balance Sheet monetary items denominated in dollars as at 30 September 1994 have been overstated to the extent of the difference in the rate applied. No satisfactory explanation has been given for the departure from the provisions of the accounting standard which the Board has hitherto observed.

The Committee heard the evidence given by the Chief Executive that US dollars equivalent to Kshs.491,500,085 was translated into Kenya currency using rates other than the one ruling on the Balance Sheet date contrary to the provision of paragraph 4.4 of Kenya Accounting Standard No. 9.

The Committee further heard that the translation was done using the average rate realised during the Accounting year which was in harmony and in conformity with the fluctuations experienced in the dollar currencies as a result of the liberation of the exchange rates by the Central Bank.

The Committee was also informed that the Board will comply with translations provided by the Accounting Standard No. 9 (Kenya).

The Committee reiterates its earlier recommendation in the Eighth Report that the Chief Executive should in future adhere to the provisions of Kenya Accounting Standard No. 9 with regard to translation of foreign currencies into Kenya currency.

3. EXPORT DUTY

As previously reported, the Balance Sheet debtors and prepayments figure includes an amount of Kshs.175,801,648 due from Treasury in respect of overpayment of export duty in prior years. On the other hand an amount of Kshs.175,000,000 which is a balance from Kshs.405,000,000 released by Treasury for onward transmission to KPCU and which ought to have been returned to Treasury is being held by the Board under the current liabilities short term loan balance of Kshs.347,375,000 on account of the said export duty. Although in its 5th report the Public Investments Committee recommended a follow up with the Treasury with a view to effecting waiver of this amount by 30 June 1995, I have not seen any waiver as at the date of this report.

The Committee heard the evidence given by the Chief Executive that an amount of Kshs.175,801,648 due from Treasury in respect of overpayment of export duty remains outstanding because Treasury has not effected a waiver for the amount.

The Committee further heard that the Board has retained an amount of Kshs.175 million due to Treasury because the Public Investments Committee had recommended that the amount be treated as a pre-payment of the debts owing by the Treasury to the Board and the balance of Kshs.801,648 be recovered from Treasury.

The Committee reiterates its earlier recommendation under paragraph 3 of the 1992/93 accounts (Eighth Report) that in view of the new evidence, the Board should terminate the demand for a waiver.

4. PROVISION FOR BAD AND DOUBTFUL DEBTS

Out of the total provision for bad and doubtful debts of Kshs.40,980,878 Kshs.13,384,398 was provided for in full for a loan granted to farm namely Gatirima/Karatini Estate. The farm was given an unsecured loan of Kshs.10,000,000 on the strength of surrendering a number of title deeds which were not charged. The loan remained unserviced and as at 30 September 1994, it accrued interest of Kshs.3,384,398.

The loan was irregularly given and although the matter was taken to court, the debtor has filed a counter suit for illegal withholding of title deeds by the Board.

The Committee heard the evidence given by the Chief Executive that a provision for bad and doubtful debts amounting Kshs.13,384,398 was provided in full for a loan of Kshs.10 million which was advanced to the owner of Gatirima/Karatini farms in 1985 and which accrued interest amounting to Kshs.3,384,398.

The Committee was informed that:-

(i) The advance was to be secured on Coffee proceeds from these farms in addition to the Title Deeds which the farmer made available to the Board.

(ii) No significant deliveries of coffee was obtained from the two farms to repay the advances and the interest accrued.

(iii) The farmer took the Board to court through civil suit No.1517 of 1991 demanding release of his Title Deeds and that the Board on the other hand sued the farmer through civil suit No.2564 of 1992 for full repayment of the advances plus the accrued interest.

The Committee noted that the loan was irregularly advance to the farmer by the Board without charging the necessary securities.

The Committee recommends that the Chief Executive should expedite the case against the farmer.

The Committee further recommends that the Chief Executive should restrict the title deeds being retained by the Board in respect of the loan of Kshs.10 million advanced to Gatirima/Karatini Estate until the loan is repaid in full.

5. DEBTORS AND PREPAYMENTS

An amount of Kshs.2,048,772 was paid to a firm in 1989/90 purported to be an advance payment for empty bags. Subsequent investigations revealed that there was a fraud in which documents were falsified from the stores. Although the matter was reported to the police, I have not seen any police investigation report and in the circumstances, I am unable to confirm whether the amount is recoverable or not. Further, the release of funds prior to receipt of goods by the Board reflects inadequacies in internal controls governing payments.

The Committee heard the evidence given by Chief Executive that Duncan Enterprises who had been engaged by the Board to Supply empty bags in 1989/90 colluded with the Board's stores employees in generating fraudulent store Delivery Documentation for empty bags which resulted in the payment of Kshs.2,048,772.

The Committee was informed that:-

(i) When the fraud was discovered, the Board reported the matter to the police, who after long investigations, indicated that they were unable to obtain sufficient evidence for a criminal prosecution of the supplier.

(ii) The Board dismissed all the employees who were identified with the fraud.

The Committee recommends that the Chief Executive should put in place strict internal controls governing payments to avoid recurrence of theft incidents in the Board.

The Committee further recommends that the Chief Executive should take steps to recover the amount of Kshs.2,048,772 from *M/s Duncan Enterprises* and the then Chief Executive *Mr. Patrick Kathingima*.

KENYA INDUSTRIAL ESTATES LIMITED

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA INDUSTRIAL ESTATES LIMITED FOR THE YEAR ENDED 30TH JUNE, 1997

1. FINANCIAL POSITION

The Company failed to make payments totalling Kshs.11,477,396 due on IDA I, IDA II and KFW loans during the year and Kshs.21,062,000 in respect of interest on long term loans thereby bringing the total arrears to Kshs.111,193,396 and Kshs.150,312,000 in loans repayment and interest respectively as at 30 June 1997. The Balance Sheet reflects a figure of Kshs.56,317,000 (1996 - Kshs.40,809,000) in respect of Net Current Assets. However, had the total loan arrears amounting to Kshs.11,193,396 been treated and accounted for correctly as current liabilities in accordance with the International Accounting Standards, the Balance Sheet Net Assets (Working Capital) amount of Kshs.56,317,000 would have been a negative (Net Current Liabilities) figure of Kshs.54,876,396 thereby indicating that the Company was experiencing financial constraints.

Available information also indicates that the Company's request and the recommendation of the Public Investments Committee to restructure the Balance Sheet had been approved although it had not been implemented. Apparently, the Company was not able to meet its financial obligations when due and therefore, continued to breach its loan covenants and until the restructuring process is completed, its continued effective operation is dependent mainly on the support of the Government.

The Committee heard the evidence given by the Chief Executive that the Company failed to repay loans due to IDA I, IDA II and KFW amounting to Kshs.11,477,396 and interests accrued amounting to Kshs.21,062,000 in respective of the said loans thereby bringing the total arrears to Kshs.111,193,396 and Kshs.150,312,000 in loan repayment and interest respectively as at 30th June, 1997.

The Committee further heard that the inability of the company to repay the loans was caused by:-

(i) Inability by KIE to access surplus funds amounting to Kshs.81.99 million which were invested in local financial institutions which are now either under the official receiver or the statutory management of the Central Bank of Kenya.

(ii) Inheritance by the company of the non-performing loans that were wholly funded out of KFW funds in June 1978 when it was separated from ICDC and which the company has been unable to service as it could not collect any outstanding loans.

(iii) **Non-release of Development funds amounting to Kshs.134.1 million by Treasury over the last six years though approved by Parliament.**

The Committee was informed that KIE has presented to Government for approval a restructured balance sheet which entails converting the loans into a revolving fund, write-off KFW loan and converting ADB loan into grant and that the proposal is awaiting cabinet approval.

The Committee was also informed that as regards the treatment of external loan arrears as a non-current liability, the company has traditionally treated unpaid principal arrears on long term loans as long term liabilities as opposed to treating them as current liabilities.

The Committee however noted that the Company is in the process of changing the format of both current assets and liabilities in order to conform with the requirement of the International Accounting Standards.

The Committee was concerned that the company had not restructured its balance sheet despite tacit approval from the parent Ministry.

The Committee therefore reiterates its earlier recommendations under paragraphs 5 and 1 of the 1994/95 and 1995/96 accounts respectively that:-

(i) **The parent Ministry should liaise with the Treasury so as to expedite the restructuring of the Company's Balance Sheet.**

(ii) **The Company should continue to service its loans obligations.**

The Committee further recommends that the Company must without further delay change its format of treating both current assets and liabilities to conform with the requirement of the International Accounting Standards.

The Committee also recommends that the Treasury should ensure that funds are released as appropriated by Parliament.

2. INFORMAL SECTOR PROGRAMME

Included in the Company's Cash and Bank Balance figure of Kshs.22,827,000 is an amount of Kshs.6,851,000 in respect of Informal Sector Programme. The bank reconciliation statements for collection accounts of the Informal Sector Programme reflected substantial outstanding items in form of unreconciled 1993/94 difference, unidentified direct lodgements in respect of standing orders and cash pay-ins, unbanked receipts, un-reversed and unpaid cheques and unreceived transfers. In view of the foregoing, I am unable to confirm the accuracy of the cash and bank balances figure of Kshs.22,827,000 and its effect on these accounts.

The Committee heard the evidence given by the Chief Executive that the informal sector programme maintained separate accounts as per the requirements of the

donor and that a private external auditor audited the accounts which were later incorporated in the company accounts.

The Committee was informed that the Bank reconciliation, un-reversed unpaid cheques and un-reconciled 1993/94 differences have since been done and that the cash and bank balance figure of Kshs.6.851 million in respect of informal Sector programme has been verified by the Auditor General (Corporations) thereby resolving the audit query.

The Committee recommends that the Chief Executive ensures that bank reconciliations are done regularly.

CATERING LEVY TRUSTEES

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE CATERING LEVY TRUSTEES FOR THE YEAR ENDED 30TH JUNE, 1996

1.O SALE OF PLOT NO. 209/297

In May 1995 the Trustees sold plot No. 209/297 measuring two acres for Kshs. 70 million to a private firm. Although the property had been valued at Kshs. 35 million in 1990 i.e more than 5 years before the sale date, no further valuation was done to enable the Catering Levy Trustees assess a reasonable price for the plot and possibly set a reserve price. The basis on which the Trustees accepted the offer of Kshs. 70 Million is therefore not clear. Further, the same property was valued and purchased by National Social Security Fund at Kshs. 225,519,000. from the private firm a few months thereafter in 1995/96 financial year. The Firm which appears to have purchased the land for speculative purposes made a profit of Kshs. 155,519,000.

The Committee heard the evidence given by the Chief Executive that the Corporation advertised the plot No. 209/297 situated along Valley Road, Nairobi and measuring 2 Acres for sale in the three dailies namely Nation, Standard and Kenya Times and that as a result several offers were received from the market, ranging from Kshs. 7 million to 35 million, per acre.

The Committee further heard that the plot was sold to the highest bidder at a total sale price of Kshs. 70 million on 25th May, 1995 and subsequently sold to NSSF by the new owners, Newmans Investments, at Kshs. 225,519,000 on 25th September, 1995.

The Committee noted the following:-

(i) That the Corporation did not value the plot at the time of sale in order to assess a reasonable price for the plot and set a reserve price.

(ii) That purchasers, M/s Newmans Investments, whose file could not be traced at the Registrar of Companies, purchased the land for speculative purposes and ended up making a profit of Kshs. 155,519,000 when the said plot was sold to NSSF at Kshs. 225,519,000.

That the then Chief Executive *Mr. Lazarus Amayo,* who solely dealt with the transaction, intentionally declined to value the plot in order to enable the purchasers, Newmans Investments, to ask for a higher price with the NSSF.

The Committee recommends that the then Chief Executive *Mr. Lazarus Amayo,* should be held responsible for failing to value plot No. 209/297 thus denying the Corporation a fair price for the property.

2.0 OFFICE BLOCK

In my report on the 1990/91 accounts of the Trustees, reference was made to an

expenditure amounting to Kshs. 22,010,802 being consultancy study expenses on a project incurred without Treasury approval, which did not take off. The Trustees revived the construction of the office block and spent an additional Kshs. 9,327,274 on preliminary expenses during the year. This expenditure which was expensed should have been capitalised and in the circumstances the Fixed Assets Balance Sheet figure of Kshs. 37,719,975 is understated to the extent of the amount expensed.

The Public Investments Committee in its report on the 1990/91 Accounts recommended that the Chief Executive institutes investigations in this matter and any officer (s) involved in the transaction be surcharged. As far as I am aware no officer has been surcharged and I have not seen the findings of the investigation. At the time of signing this report, available information indicates that the project has again been shelved.

The Committee heard the evidence given by the Chief Executive that in mid 1988, the Board approved and purchased land for the purpose of construction of its office block and that all the requisite approval and authority to commence the construction had been acquired vide letter MTW/SI/18/2 Vol. II(7) dated 7th September, 1989.

The Committee was informed that: -

(i) The Board engaged the services of various consultants to render professional services towards the construction of Office Block and that by the time the Government shelved the project an amount of Kshs. 22,010,802 had been incurred in form of consultancy study expenses.

(ii) A further consultancy fees of Kshs. 9,327,274 was incurred in the year under review in respect of a modest Office Block whose authority to start was given vide letter MTW/S.II Vol. II (96) of 20th April, 1995.

(iii) The Government stopped the revival of the project when it had reached tendering stage.

The Committee was further informed that: -

(i) No officer of the Board has been surcharged in connection with the nugatory expenditure amounting to Kshs. 31,338,076 in respect of Consultancy fees on the proposed Office Block since the said amounts were incurred after authority had been given.

(ii) The said expenses were later expensed against the sale proceeds of the plot after the project was shelved, and that the same have been reflected in the Annual Accounts for the year ended 30th June, 1999.

The Committee was concerned that the Board has spent Kshs. 31,338,076 in consultancy fees on a project which has never taken off.

The Committee recommends that the Board should in future ensure that there is adequate budgetary allocation before committing the Corporation to capital projects.

3.0 CLUB MEMBERSHIP

In my report on the 1994/95 accounts of the Trustees, I made reference to an amount of Kshs. 225,486.60 spent on membership and patronage of certain private members' clubs by some staff members of the Catering Levy Trustees without approval of the Minister as required by section 19 (2) of the Hotels and Restaurants Act. During the year under review the practice continued and Kshs. 231,627.55 was spent on private members clubs. As in the previous years no approval of the Minister or the State Corporations Advisory Committee was produced for audit verification in respect of the expenditure.

In the circumstances, I am not able to confirm that the expenditure is a proper charge to public funds held by the Trustees.

The Committee heard the evidence given by the Chief Executive that the Trustee's Board in meeting of 31st August, 1994 allowed senior staff members of the Catering Levy Trustees to become club members and that expenditure was subsequently budgeted for and approved.

The Committee was informed that: -

(i) The Trustees took the budget approval to mean Ministerial approval and hence incurred an amount of Kshs. 231,627.55.

(ii) The Trustees have sought a *post facto* approval from the Minister to regularise the matter and that an approval has been obtained vide letter Ref. No. MTW/S.12/13/3/Vol. III (25) dated 31st August, 1999, as required by the law.

The Committee recommends that prior approval for membership and patronage in private members clubs should be sought from the parent Ministry, the Treasury and Office of the President.

The Committee further recommends that the Chief Executive should always adhere to the laid down financial regulations with regard to emoluments and/or benefits payable to members of staff.

4.0 SECURITY ALLOWANCE

In the year under review the Trustees paid Kshs. 14,000 each monthly to seven of its management staff (total Kshs. 168,000) thus enhancing monthly remuneration's of the said staff by Kshs. 2,000 each. Approval for payment of the allowance, as required by Section 5 (3) of the State Corporations Act,
(Cap 446) has not been produced for audit verification. In the circumstances, I am not satisfied that the payments are a proper charge to public funds held by the Corporation.

The Committee heard the evidence given by the Chief Executive that the Board of Trustees approved payment to Senior Managers at the minimum rate of Kshs. 2000 per month to enable them hire security personnel to guard the premises which are partly furnished by the Trustees.

The Committee further heard that the Payment of Security allowance proved cheaper than hiring a guard for each Manager and that a *post facto* approval from the Minister has been obtained vide letter MTW. 12/3/3 Vol. III(25) dated 31st August, 1999.

The Committee, while noting that a *post-facto* approval has been obtained from the Minister, nonetheless recommends that the Chief Executive should always adhere to the laid down financial regulations with regard to emoluments and/or benefits payable to members of staff.

KENYA POWER AND LIGHTING COMPANY LTD (KPLC)

1.0 ASSETS OF BOTH KPLC AND KENGEN

The Committee heard the evidence given by the Chief Executive that the restructuring of power sub-sector commenced in 1997 following a policy decision by the Government as defined in the Policy Frame Work Paper of November, 1993 and as agreed with the World Bank.

The Committee further heard that:-

(i) The restructuring process involved the separation of generation function from the transmission and distribution functions so that Ken Gen would undertake power generation while KPLC is to carry out the transmission and distribution.

(ii) In order to transfer to Ken Gen all public owned power generating assets and to KPLC all transmission and distribution assets, the Government in March 1998 appointed an international firm of consultants based in UK, Price Water House Coopers, to undertake the asset inventory and revaluation and to advise on the financial effects of the transfer on KP & LC, Ken Gen, TARDA and KVDA.

(iii) On the recommendation of the Consultants, an asset transfer implementation team has been formed under the Co-ordination of the Ministry of Energy and representatives from the Ministry of Finance, Ministry of Rural Development, Attorney General's Chambers, Electricity Regulatory Board, TARDA, KVDA, Ken Gen, and KP & LC.

(iv) Based on the consultants report, a net asset transfer by Ken Gen to KP & LC of Kshs. 1, 687,000,000/= as at 30th June, 1997 was to be effected, as shown below.

ITEM	JUNE, 1997 VALUES
Transfers to KP & LC	**(000,000)**
Land and Buildings	79
Transmission lines and substations	3,795
Communications Equipment	305
Juja Road Loan Offset	(222)
	3,957
Transfer from KP & LC	
Land and Buildings	(76)
Transmission Lines and Substations	(8)
Plant and Machinery (generating assets)	(1,388)
Vehicles	(87)
Computers	(10)
Communications Equipment	(45)
Stock	(667)
Staff Debtors	(20)
Loans related to Ngong Hills	30
	(2,270)
Net Transfer to KP & LC	1,687

The Committee was also informed that Ken Gen is a Public Company which is 100% owned by the Government of Kenya while KPLC is owned in the following order, Government is holding 41%, the parastatals is 11%, residents 35% and the non -residents is 13%.

The Committee observed that negotiation concerning the above transfer of the assets have been done without due regard to all stakeholders such as Local Authorities, District Development Committees (DDCs) and the relevant committees of Parliament among others.

The Committee recommends that before the transfer of assets are effected all stakeholders including the local authorities, DDCs and the relevant Committee must be involved.

1 .2. BASIS FOR THE RECENT ELECTRICITY TARIFFS INCREASES BY KPLC.

The Committee heard the evidence given by Chief Executive that following the separation of Management Structures of KPLC and Ken Gen it was found necessary to review the tariffs to assess their adequacy in meeting their financial requirements.

The Committee further heard that in 1997 the Government appointed a consultant, Merz and Mclellan of UK, to undertake an update of a 1993 Tariff Study with a view to recommending tariffs to meet the requirements of the two parastatals and the consultant recommended that the customer tariffs be

increased.

The Committee was informed that the tariff adjustments were necessitated by the need to:-

(i) Meet the cost of power purchase from the Ken Gen at Kshs. 2.36 per KWH, Uganda Electricity Board at Kshs. 5.20 per KWH and from existing two independent power producers (IPP) namely M/s Westmont Power Ltd and M/s IberiAfrica at Kshs.1.97 KWH and Kshs. 3.30 KWH respectively.

(ii) Meet the growing demand for electricity expected to be approximately 5% per year in the medium and long-term period.

(iii) Achieve an overall increase in revenue which is necessary to meet costs of power purchase and rising operational costs.

(iv) Reflect the prevailing cost of fuel calculated to be Kshs. 0.83 per unit sent out as base value in the fuel cost adjustment formula.

(v) Meet financial covenants agreed between the Government of Kenya and the World Bank.

The Committee was also informed that the Company in accordance with Electric Power Act, 1997, applied for an increase in tariffs which were approved by the Electricity Regulatory Board on 2nd August, 1999 and that the overall average tariff increase was 18%.

The Committee observed that increase in the electricity tariffs has a direct bearing on the social economic development in the country and particularly in the industrial sector.

The Committee further observed that there is high variation in the cost of power purchase between KPLC and the other power suppliers.

The Committee recommends that the Departmental Committee on Energy, Communications and Public Works should be involved in the review of the electricity tariffs.

The Committee further recommends that the Electricity Regulatory Board should take measures to control the cost of power with a view to protecting the interests of the consumers.

KENYA SEED COMPANY LTD

1.1 SUBMISSION OF ACCOUNTS

The Committee heard the evidence given by the Chief Executive that Company prepares its own accounts under the Companies Act which are audited promptly and presented to the Board of Directors and Share holders during the Annual General Meeting.

The Committee further heard that even though the company was exempted from the provisions of the state Corporations Act (Cap. 446) vide legal Notice No. 495, it has always submitted the accounts to the parent Ministry.

The Committee noted that the 1993/94 audited accounts were submitted to Office of the President and would soon be tabled in the House.

The Committee recommends that the Chief Executive should ensure that audited accounts are submitted to Parliament for tabling as required by law.

2.0 ASSETS

The Committee heard the evidence given by the Chief Executive that the fixed and movable assets of the Company consist of lease hold and free hold land and buildings, plant and machinery, forklift trucks, tractors, vehicles and irrigation equipment whose value stood at Kshs. 484.6 million as at 30th June, 1998 as shown below:-

ASSETS	KSHS.
Land and Buildings	304,985,177.05
Plant and Machinery	50,762,910.40
Forklifts and Tractors	88,923,503.65
Motor vehicles	34,261,462.55
Furniture and Fittings	3,536,452.20
Water Systems (Irrigation)	968,452.00
Grand Total	484,627,306.40

The Committee was informed that the Company's Policy on disposal of assets entails tendering for purchase and all the highest bidders win the tenders.

The Committee noted that before the vehicles of the Company are sold they are evaluated by the Engineering Department to determine their mechanical conditions.

The Committee recommends the vehicles to be disposed of should be valued by a third party to get a fair assessment.

NATIONAL HOSPITAL INSURANCE FUND

1. ACCOUNTS

The Committee heard the evidence given by the Chief Executive that the Fund has computerised its operations which is expected to enhance its standard of record keeping.

The Committee further heard that the Fund's accounts for the years 1993/94, 1994/95, 1995/96, 1996/97 and 1997/98 have been submitted to the Controller and Auditor-General for audit.

The Committee while noting that the Fund has since become a parastatal recommends that the Chief Executive should submit annual accounts to the Auditor-General (Corporations) within the statutory period.

2. ASSETS - PLOTS

The Committee heard the evidence given by the Chief Executive that the fixed assets of the Fund include land plots Nos.209/5846; 209/11248; 209/11140 and 209/12987.

The Committee further heard that the Fund purchased:-

(i) Plot LR. No.209/12987 in Upper Hill at Kshs.120 million from Brentcross Properties Ltd whose directors are Messrs Dilstrad Dorsa and Sultanali Nazarali Pirbhai.

(ii) Plot NR. No.209/11140 at Kshs.39 million from the Cooperative Insurance Services Limited.

(iii) Plot LR 209/5846 at Kshs.228,500,000 from the Prudential Building Society with 43 maisonettes and 5 shops in South 'B'.

The Committee was informed that Plot LR. No.209/11248 was granted to the Fund by the Commissioner of Lands..

The Committee noted that the then Permanent Secretary, Ministry of Health Mr. Philemon Mwaisaka authorised the management of the Corporation to buy Plot LR. No.209/12987 at Upper Hill after the approval of the Minister.

The Committee took great exception in the unsatisfactory and irregular manner in which plot LR.No.209/12987 was purchased by the Fund.

NZOIA SUGAR COMPANY

PERFORMANCE OF M/S F.C. SCHAFFER IN NZOIA SUGAR COMPANY

The Committee heard the evidence given by the Chief Executive that M/s F.S. Schaffer was engaged as Technical Management Team in Nzoia Sugar Company in January, 1999.

The Committee was informed that:-

(i) M/s F.C. Schaffer has approached a Consortium of banks to share the load for the additional working capital required of Kshs.600 million and reduce the exposure but the banks have declined due to the insolvency of Nzoia Sugar Company.

(ii) External financiers have indicated their willingness to inject the additional capital subject to the financial restructuring of Nzoia Sugar Company balance sheet by writing off the debts or conversion into equity.

The Committee was further informed of the achievements by M/s F.C. Schaffer in Nzoia Sugar Company since their engagement in January, 1999.

(i) Increased monthly payments to farmers from Kshs.152,592,845.00 to Kshs.441,270,910 and the reduced waiting period for farmers payments from 22 to 14 months.

(ii) Increased crushing capacity by 33% thereby leading to increased through put and improved quality of sugar delivered from milling.

(iii) Full control of the production activities and the changes initiated in the Agricultural and Engineering Service Departments have resulted in increased sugar production.

(iv) Spearheaded marketing surveys which has improved customer base, packaging, quantity rebates, distribution network, and ensured that sugar produced is sold.

(v) Re-negotiation of outstanding loans with National Bank of Kenya and Post Bank Credit that have since reduced Nzoia Sugar Company liabilities by Kshs.340 million.

The Committee observed that:-

(i) M/s F.C. Schaffer has not to-date injected into the Company the additional working capital of Kshs.600 million as provided for in the Technical Management Contract.

(ii) Nzoia Sugar Company is still operating unreliably due to the accumulated

problems of poor maintenance and inappropriate engineering features in the past.

The Committee recommends that:-

(i) The parent Ministry should review the issue of technical management of Nzoia Sugar Company with a view to having technically qualified indigenous citizens to manage the Company.

(ii) M/s F.C. Schaffer should submit a proposal on the financial restructuring of Nzoia Sugar Company balance sheet for necessary sanction and approval by Parliament to enable the Company source for funding.

The Committee recommends that the Departmental Committee of Parliament on Agriculture, Lands and Natural Resources should urgently deliberate into the following:-

(i) The review of technical management of Nzoia Sugar company and the subsequent renewal of management lease.

(ii) Financial restructuring of Nzoia Sugar Company Balance Sheet.

KENYA MEDICAL TRAINING COLLEGE, NAIROBI

1. ACCOUNTS

The Committee heard the evidence given by the Chief Executive that the delay in the submission of the accounts is attributed to logistical factors related to the enormous task of de-linking the College from a Department within the Ministry of Health and the ensuing delicate stage of transition.

The Committee was informed that: -

(i) A Task Force was appointed by the Ministry of Health in September, 1995 to initiate the de-linking process of transforming the College from a Department within the Ministry of Health to an autonomous organization with regard to its daily administration operations.

(ii) The Task Force recommended Commercial Accounting System as opposed to the Cash Accounting System and opening of Bank Accounts for all Colleges with effect from march, 1996.

The Committee noted that the College submitted the Accounts for the year ended 30th June, 1997 to the Auditor General (Corporations) on 29th October, 1998.

The Committee further noted that the accounts for 1998/99 are awaiting the completion of the valuation of Assets for inclusion in the books in order to reflect a true and fair financial position of the College.

The Committee recommends that the Chief Executive should in future ensure that the final accounts are submitted to the Auditor-General (Corporations) for audit in accordance with section 31 of the Exchequer and Audit Act (Cap 412).

2. STUDENTS ADMISSION

The Committee heard the evidence given by the Chief Executive that the College selects candidates on the following basis: -

(a) Entry requirements for each course.

(b) Direction from the Ministry of Health on needs for specific professionalism arising from staff shortfall and disparities in staff balances in various regions.

(c) Gender equity.

The Committee was informed that in the years 1996/97, 1997/98 and 1998/99 the following number of students were admitted to the College 1,599, 1,150 and 2,293 respectively.

The Committee was also informed that an amount of Kshs. 5,928,800/= was received from 29,644 applicants and that Kshs. 3,607,034.15 was spent leaving a balance of Kshs. 2,321,765.85.

The Committee was concerned that there has been a great imbalance in the admission of students to the Medical Training Colleges and that some districts have not had qualified candidates admitted to the colleges for five to six consecutive years.

The Committee was further concerned that there has never been a clear policy on the admission of students to the Colleges, an omission that has been largely abused by the management of KMTC to the detriment of development of Health Sector in the Country.

The Committee observed that:-

(i) The selection criteria currently used by the College is insufficient and does not address the district imbalances in students admission.

(ii) The current selection Board Committee is part of the management which comprises of the Chief Nursing Officer, Chief Clinical Officer, Chief Public Officer and is therefore under the direction of the Chief Executive of the College.

(iii) In 1999, the College received Kshs.5,928,000 in respect of application fee and 50% of the said amount was spent on administrative expenses, honorarium and allowances.

The Committee recommends that:-

(i) The parent Ministry should establish an independent Professional Admission Board to oversee the admission of students to ensure a fair, accountable and equitable distribution at the district level.

(ii) The current Selection Board Committee should be strengthened by including representatives from the Universities, Medical Constituent Colleges, Ministry of Health, Directorate of Personnel Management and the Treasury.

(iii) The admission policy should be referred to the departmental committee of Parliament on Health, Housing, Labour and Social Welfare to relook and recommend a fair criteria of admission.

(iv) Application fee of Kshs.200.00 should be scrapped and be replaced with admission fee payable by only those who qualify for admission.

AGRICULTURAL DEVELOPMENT CORPORATION (ADC)

SUBMISSION OF ACCOUNTS

The Committee heard the evidence given by the Chief Executive that it was not possible to process financial reports for the 1995/96 and 1996/97 accounts due to computer systems problems experienced between February 1996 and May 1997.

The Committee further heard that the 1995/96 accounts were finally certified by the Auditor General (Corporations) and have since been submitted to Parliament.

The Committee was informed that the 1996/97 accounts were submitted to the Auditor-General (Corporations) in July, 1998 for audit and certification.

The Committee recommends that the Chief Executive of the Corporation should ensure that accounts are submitted for audit within the statutory period.

The Committee further recommends that any Chief Executive of the Corporation who causes delay in the submission of annual accounts and fails to seek Parliamentary approval for late submission should be dismissed from the public service.

MUMIAS SUGAR COMPANY

ASSESSMENT OF THE PERFORMANCE OF M/S BOOKER TATE LTD AS TECHNICAL MANAGEMENT TEAM FOR MUMIAS SUGAR COMPANY

The Committee heard the evidence given by the Chief Executive that the Government of Kenya invited M/s Booker Tate Ltd in 1967 to carry out feasibility study to build sugar estates in Mumias and Bungoma area.

The Committee further heard that in 1971, M/s Booker Tate Ltd raised finance; supervised factory construction; planted cane; managed the project; and has provided continuous management, engineering and technical assistance to date.

The Committee was informed that M/s Booker Tate Ltd has 4.42% shareholding in Mumias Sugar Company.

The Committee was further informed of the achievements by M/s Booker Tate Ltd in Mumias Sugar Company as follows:-

(i) The increase in sugar capacity from 45,000 tonnes of sugar per year in 1973 to an average production of 205,000 tonnes of sugar per year from 1985 - 1999.

(ii) Modernization and rationalisation of the ageing milling tandems to incorporate the diffusion process and the installation of the second milling tandem.

(iii) Designing & planning of the Mumias Outgrowers Scheme including the supply of inputs, seedcane, fertilizer and agricultural services.

(iv) Development of outgrower cane from 7,000 hectares with 3,000 farmers in 1975 to 54,000 hectares with 46,000 farmers in 1999.

(v) Planned and facilitated the financing of the newly established Mumias Outgrowers Company.

The Committee recommends that:-

(i) The review of the Technical Management of Mumias Sugar Company and the subsequent renewal of Management of lease should be referred to the Departmental Committee of Parliament on Agriculture.

(ii) The Government should negotiate for the Kenyan quota Share under the ACP/EU Lome Convention to enable the sugar companies to export sugar at a guaranteed price.

CHEMELIL SUGAR COMPANY LTD (PRIVATISATION)

The Committee heard the evidence given by the Chief Executive that Chemelil Sugar Company was incorporated in July 1965 under the Company's Act Cap 486 and that the current share-holding is as follows: -

(i)Government of Kenya through ADC	**95.38%**
(ii)Development Bank of Kenya Ltd	**1.73%**
(iii)Minerva Holdings Limited	**1.73%**
(iv)Kenya Shell Limited	**1.16%**

The Committee was informed that:-

(i) The Governments decision to privatize the Company was communicated to the Company's Management in November, 1995 and the Company's Board approved it in 1996.

(ii) The objectives of the privatization included a fair return in terms of privatization proceeds for the Company and a wide ownership by indigenous Kenyans through the Nairobi Stock Exchange (NSE).

(iii) To facilitate privatization, a Privatization Committee was formed in 1996 which subsequently appointed advisors to assist it.

(iv) One of the advisors, Barclays Merchant Finance Ltd, reported that extensive review of the operations of the Company indicated that its core business was profitable and that privatization strategy involved diluting Government (ADC) share-holding through the sale of new shares to the tune of 20% of total share-holding.

(v) In 1998, the privatization process was halted as a result of uncertainty in the sugar market and the lack of a clear legal framework governing the industry in addition to the effects of El-Nino Rains and poor performance of the Nairobi's Stock Exchange.

The Committee noted that the privatization process was revisited in 1999 following Governments move to protect the local sugar Industry and that the privatization committee is sourcing for a financial adviser to advise it.
The Committee recommends that the privatization process in Chemelil Sugar Company should be done in an open, fair and transparent manner.

The Committee further recommends that the Board of Management and the Chief Executive should ensure as wide an ownership as possible by indigenous Kenyans.

ANNEX A

MINUTES OF THE FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON WEDNESDAY 12TH MAY, 1999 AT 11.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Abubakar M. Badawy, M.P.
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ali I. Shaaban, M.P.
Hon. David Kombe, M.P.

ABSENT WITHOUT APOLOGY:

Hon. John K. Sambu, M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. J.K. Masya	-	Clerk of the National Assembly
Mrs C.W. Munga	-	Senior Clerk Assistant
Mr. D.K. Ziah	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant
Mr. S.N. Ruge	-	Clerk Assistant

MINUTE NO.1/99 **INTRODUCTORY REMARKS BY THE CLERK**

The Clerk called the meeting to order. The Clerk emphasised to the Members the need to familiarize themselves with rules of procedure of the Committee, Exchequer and Audit Act (Cap. 412), State Corporations Act (Cap. 446) and National Assembly Powers and Privileges Act (Cap.6).

The Clerk informed the Members that the Chairmen of all the Committees are scheduled to attend a workshop in Canada where they are expected to learn and establish how to obtain more information from the Chief Executives.

He further informed the Members that a seminar is being considered for all the Members of various Committees

together with Controller and Auditor-General, the Auditor-General (Corporations), Permanent Secretary, Treasury and the Clerk of the National Assembly.

MINUTE NO.2/99 **ELECTION OF THE CHAIRMAN**

The Clerk conducted the proceedings for the election of the Chairman. He called for proposals in which Hon. Mwangi Githiomi, M.P. was proposed by Hon. Joe Donde, M.P. and seconded by Hon. Abubakar Badawy, M.P.

Hon. Ali Shaaban, M.P. sought to know whether it is unprocedural to have the Chairmen of both Public Investments Committee and Public Accounts Committee from the same political party. The Clerk explained that it is procedural so long as they are from an opposition party.

In the absence of any other proposal, the Clerk declared Hon. Mwangi Githiomi, M.P. unanimously elected Chairman.

MINUTE NO.3/99 **CHAIRMAN'S REMARKS**

Hon. Mwangi Githiomi assumed the chair and expressed gratitude to his colleagues for unanimously electing him the Chairman of the Committee.

He called for co-operation among the members and urged them to dedicate themselves fully to the work entrusted to them by the House.

MINUTE NO.4/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Thirty minutes past Eleven O'clock until Friday 2nd July, 1999 at 10.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **2nd July, 1999**

MINUTES OF THE SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 2ND JULY, 1999 AT 10.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Abubakar M. Badawy, M.P.
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali I. Shaaban, M.P.
Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang', M.P.
Hon. John K. Sambu, M.P.
Hon. David Kombe, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. S.W. Ndindiri	-	Clerk of the National Assembly
Mr. M. Werunga	-	Deputy Clerk
Mrs C W. Munga	-	Senior Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant
Mr. S.N. Ruge	-	Clerk Assistant

MINUTE NO.5/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the first sitting of the Committee held on 12th May, 1999 were confirmed by the Members present and signed by the Chairman. Proposed by Hon. Parpai, M.P. and Seconded by Hon. Badawy, M.P.

MINUTE NO.6/99 **MATTERS ARISING**

(i) **Under Minute No.1/99,** members sought to know whether the seminar which was being considered for members of various committees was still on. Members were informed that arrangements are underway to have a seminar for the investigatory Committees before PIC and PAC commence their work substantively in August, 1999.

(ii) The Committee was of the view that only a reasonable number of state Corporations should be included in its sitting programme for 1999/2000 to enable it discuss those corporations exhaustively.

(iii) The Committee resolved that the Auditor-General (Corporations) should liaise with the Attorney General with a view to having all the State Corporations that have been exempted from the State Corporations Act (Cap 446), submit all their audited accounts from the year of exemption to-date to parliament for scrutiny by the Committee.

(iv) The Committee expressed concern on the legal redress being taken against its members by persons who have been mentioned adversely in its report.

Consequently, the Committee resolved that Parliament should take protective action and vindicate the privileges of the proceedings of the House and its Committees thereof as the legal threats are not in keeping with the provisions of National Assembly powers and privileges Act (Cap 6).

MINUTE NO.7/99 **CONSIDERATION OF THE SITTING PROGRAMME FOR 1999/2000**

The Committee resolved to establish a strategic Sub-Committee comprising of the following members to consider and prepare the sitting programme.

(i) Hon. Mwangi Githiomi, M.P. **(Chairman)**

(ii) Hon. P.K. Kaindi, M.P.

(iii) Hon. A. Badawy, M.P.

(iv) Hon. Ali Shaaban, M.P.

(v) Hon. Ochilo Ayacko, M.P.

MINUTE NO.8/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Twelve O'clock until Friday 9th July, 1999 at 10.00 a.m.

SIGNED: **Hon. P.K. Kaindi, M.P.**

AG.CHAIRMAN

DATE: **9th July, 1999**

MINUTES OF THE THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 9TH JULY, 1999 AT 10.00 A.M.

PRESENT:

Hon. Peter K. Kaindi, M.P. **(Ag. Chairman)**
Hon. Abubakar M. Badawy, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali I. Shaaban, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. P.K.M. Sang', M.P.
Hon. John K. Sambu, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. Mwangi Githiomi, M.P. **(Chairman)**

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mrs C W. Munga	-	Senior Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant
Mr. S.N. Ruge	-	Clerk Assistant

MINUTE NO.9/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the Second sitting of the Committee held on 2nd May, 1999 were confirmed by the Members present and signed by the Ag. Chairman, Hon. Kaindi. Proposed by Hon. Ochilo Ayacko, M.P. and seconded by Hon. S. Amin, M.P.

MINUTE NO.10/99 **MATTERS ARISING**

1. **Under Minute No.6/99 (ii),** the Committee was informed that:-

   (i) The Auditor-General (Corporations) has written to the Attorney-General regarding the Corporations that have been exempted from the state Corporations Act (Cap.446).

   (ii) The Auditor-General (Corporations) was of the view that it is the responsibility of the Office of the President which exempts State Corporations to cause the Corporations in question to submit their accounts to Parliament

for scrutiny.

Consequently, the Committee directed the National Assembly to write to the Office of the President to instruct the exempted State Corporations to submit their annual accounts to the Auditor-General (Corporations) for auditing and subsequent transmission to Parliament.

(iii) The National Hospital Insurance Fund is not a State Corporation and is currently being audited by the Controller and Auditor-General as a department of the Ministry of Health.

(iv) The Auditor-General (Corporations) is going to update the Committee on the current position of the stocks and spares belonging to Kenya Ports Authority in due course.

2. **Under Minute No.6/99 (iv),** the Committee was informed that the Clerk of the National Assembly has taken up the issue of legal redress against its members with the Speaker.

MINUTE NO. 11/99 **CONSIDERATION OF THE SITTING PROGRAMME**

The Committee considered the Sitting Programme and decided to adopt it in its next sitting. The Committee directed the Secretariat to find out from the offices concerned whether Accounts of the following parastatals could be forwarded to Parliament for inclusion in the programme.

(i) Kenya Airports Authority - 1994/95 Accounts

(ii) Kenya Ports Authority - 1996/97 Accounts

(iii) Kenya Posts & Telecommunications Corporation - 1995/96 - 1996/97 Accounts

(iv) Kenya Railways Corporation - 1996/97 Accounts

(v) TARDA - 1994/95 Accounts

(vi) Kenya Bureau of Standards - 1993/94 - 1996/97 accounts

(vii) Kenya Tourist Development Corporation - 1995/96 accounts

(viii) National Oil Corporation - 1995/96 - 1996/97 Accounts

(ix) Agricultural Development Corporation - 1996/97 Accounts

MINUTE NO. 12/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Twelve O'clock until Monday 26th July, 1999 at 2.30 p.m.

SIGNED: **Hon. P.K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **26th July, 1999**

MINUTES OF THE FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON MONDAY 26TH JULY, 1999 AT 2.30 P.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali I. Shaaban, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. Sayyid M. Amin, M.P.
Hon. John K. Sambu, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. Werunga	-	Deputy Clerk
Mr. M. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N.Wambugu	-	Director of Audit

MINUTE NO.13/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the Third sitting of the Committee held on 9th July, 1999 were confirmed by the Members present and signed by the Chairman. Proposed by Hon. Ochilo Ayacko, M.P. and seconded by Hon. D. Kombe, M.P.

MINUTE NO.14/99 **MATTERS ARISING**

(i) **Under Minute No. 10/99 (ii),** the Committee directed the Secretariat to write a letter to the Head of Public Service and Secretary to the Cabinet regarding the State Corporations that have been exempted from the State Corporations Act (Cap 446).

(ii) **Under Minute No.10/99 (iii),** the Committee was informed that National Hospital Insurance Fund became a State Corporation with effect from February, 1999 through a Kenya Gazette Notice.

MINUTE NO. 15/99 **SITTING PROGRAMME**

The Committee resolved to adopt the sitting programme for the first three (3) weeks commencing on 17th August to 3rd September, 1999.

MINUTE NO.16/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Five O'clock until Friday 6th August, 1999 at 10.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **6th August, 1999**

MINUTES OF THE FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 6TH AUGUST, 1999 AT 10.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali I. Shaaban, M.P.
Hon. David Kombe, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. John K. Sambu, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit

MINUTE NO.17/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the fourth sitting of the Committee held on Monday 26th July, 1999 were confirmed by the Members present and signed by the Chairman. Proposed by Hon. Shaaban, M.P. and seconded by Hon. Badawy, M.P.

MINUTE NO.18/99 **MATTERS ARISING**

1. **Kenya Ports Authority**

The Committee resolved that the following should appear before it together with the management of Kenya Ports Authority on Tuesday 17th August, 1999.

- Head of Public Service and Secretary to the Cabinet.
- Chairman of Kenya Ports Authority.
- Permanent Secretary, Ministry of Transport & Communications.

- Investment Secretary

2. **Treasury Memorandum and the implementation status**

(i) The Committee resolved to discuss the Treasury memoranda for both its 6th and 7th reports on Monday 30th August, 1999.

(ii) The Committee further resolved that the "Big Five" should appear before it on Monday 13th September, 1999 to update it on the implementation status of the recommendations of the said reports.

MINUTE NO. 19/99 **ADOPTION OF THE SITTING PROGRAMME**

Under Minute No.15/99, the Committee adopted the Sitting Programme commencing on 12th August, to 1st October, 1999.

MINUTE NO.20/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Twelve O'clock until Thursday 12th August, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **12th August, 1999**

MINUTES OF THE SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON THURSDAY 12TH AUGUST, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. John K. Sambu, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. Abubakar M. Badawy, M.P.
Hon. Ali I. Shaaban, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. Werunga - Deputy Clerk
Mr. D.K. Ziah - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. W. Kemei - Auditor-General (Corporations)
Mr. E. N. Wambugu- Director of Audit
Mr. P.K. Muasya - Deputy Director of Audit
Mr. J.W. Ng'ang'a - Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. S.A.M. Kitungu - Principal Economist

MINUTE NO.21/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the fifth sitting of the Committee held on Friday 6th August, 1999 were confirmed by the Members present and signed by the Chairman. Proposed by Hon. Parpai, M.P. and seconded by Hon. Kaindi, M.P.

MINUTE NO. 22/99 **MATTERS ARISING**

Under Minute No. 18/99 (1), the Committee resolved that the Inspector of State Corporations should also appear

before it together with the Management of Kenya Ports Authority.

MINUTE NO. 23/99 **EVIDENCE**

The Report and Accounts of Agricultural Finance Corporation for the year 1996/97 and the Certificate thereon by the Auditor-General (Corporations).

Mr. G.K. Toroitich, Managing Director of Agricultural Finance Corporation accompanied by Messrs:- J.H. Othieno, Personnel & Administration Manager; F.S. Wanyama, Financial Controller; D.N. Riungu, Chief Planning Officer; R.M. Otima, Technical Services Co-ordinator; M.M. Atemu, Deputy Chief Legal Officer; S.A. Abogi, Chief Accountant; J.M. Kimonge, Chief Internal Auditor; and R.A. Arungah, Deputy Secretary (Administration), Ministry of Agriculture; appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1996/97.

MINUTE NO. 24/99 **ADDITIONAL INFORMATION PARAGRAPH 1 OF 1996/97 ACCOUNTS - AVOIDABLE EXPENDITURE**

1. The Committee directed the Chief Executive to submit the following information by Friday 13th August, 1999.

   (i) Copies of the two court orders of both 9th December, 1991 and 14th april, 1994 respectively regarding the release of the 3 title documents.

   (ii) A detailed breakdown of the legal fee paid to the Corporation's lawyers and other legal costs incurred in respect of M/s Muturi Investment Company.

2. The Committee further directed that the directors of the said Investment Company should appear before it at a later date in connection with Kshs.4,760,000 granted to them in 1985.

MINUTE NO. 25/99 **DEFERRED EVIDENCE - PARAGRAPH 2 OF 1996/97 MOTOR VEHICLE SPARES AND REPAIRS**

The Committee deferred taking evidence on the said paragraph and directed as follows:-

1. The Chief Executive to submit the following information by Friday 13th August, 1999 to the Auditor-General (Corporations) for verification.

   (i) Documentary evidence in support of the purchase of spares and repairs totalling Kshs.30,033,961.

   (ii) Names of the directors of M/s Kenya Trollies Ltd.

   (iii) Details of the spare parts and amounts supplied by each of the 5 suppliers.

   (iv) The number of vehicles repaired during the period in question that are currently being disposed of.

2. The Auditor-General (Corporations) to audit the Corporation's stock in respect of motor vehicle spares.

MINUTE NO.26/99 **DEFERRED EVIDENCE - PARAGRAPH 3 OF 1996/97 STAFF PENSION FUND**

The Committee deferred taking evidence on the said paragraph and directed as follows:-

(i) The Chief Executive to submit a copy of the Board Minutes that deliberated on the issue of depositing staff pension fund in Trust Bank Ltd.

(ii) The parent Ministry to confirm whether or not the staff pension fund was deposited in Trust Bank Ltd with its knowledge/consent and the authority that allowed the Corporation to invest the staff pension fund in the said bank.

(iii) The Governor of Central Bank of Kenya, the directors of Trust Bank Ltd and the Permanent Secretary, Treasury to appear before the Committee at a later date.

MINUTE NO.27/99 **DEFERRED EVIDENCE - PARAGRAPH 4 OF 1996/97 ACCOUNTS - DEBTORS**

The Committee deferred taking evidence on the said paragraph and directed as follows:-

1. The Chief Executive to submit the following information by Tuesday 17th August, 1999.

   (i) A copy of the agreement between the Corporation and Agrarian Building Society.

   (ii) Documentary evidence in support of the commitment by the Receiver/Manager to pay the sum of Kshs.57 million upon completing the sale of the security land.

   (iii) Details of the location, acreage, and valuations of the 3 parcels of land charged as securities.

   (iv) Names of the directors of Agrarian Building Society.

2. The Auditor-General (Corporations) to verify the documentary evidence in support of Kshs. 4 million.

MINUTE NO. 28/99 **DEFERRED EVIDENCE 1996/97 ACCOUNTS**

The Committee deferred taking evidence as follows:-

(i) Paragraph 6 - Redeemable loans
(ii) Paragraph 7 - Restructuring
(iii) Paragraph 8 - Short term deposits

MINUTE NO. 29/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. J. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang' M.P.
Hon. John K. Sambu, M.P.
Hon. D. Kombe, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. D.K. Ziah	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. J.W Ng'ang'a	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. S.A.M. Kitungu	-	Principal Economist

MINUTE NO. 30/99 **EVIDENCE**

The Report and Accounts of Agricultural Finance Corporation for the year 1996/97 and the Certificate thereon by the Auditor-General (Corporations).

Mr. G.K. Toroitich, Managing Director of Agricultural Finance Corporation accompanied by his team re-appeared before the Committee and gave further evidence on the accounts of the Corporation for the year 1996/97.

MINUTE NO. 31/99 **ADDITIONAL INFORMATION PARAGRAPH 8 OF 1996/97 - SHORT TERM DEPOSITS - KSHS.569,502,000**

The Committee directed the Chief Executive to submit the following information by Tuesday 17th August, 1999.

(i) A copy of the fixed deposit certificate register and bank statements in respect of Kshs.569,502,000.

(ii) A list detailing the names of the loanees during the year under review.

(iii) Justification for investment of funds in fixed deposit as opposed to lending the same to the farmers.

(iv) A detailed analysis of staff personal advances.

(v) An analysis of the Corporation's fixed assets detailing those which have been sold off and the buyers of the same.

MINUTE NO. 32/99 **ADDITIONAL INFORMATION**

1. The Committee directed the Investment Secretary to submit the following information by Tuesday 17th August, 1999.

   (i) The remedial measures applicable to State Corporations which invest surplus funds contrary to the Treasury Circular No.10 of 1992.

   (ii) A copy of the Treasury Circular that instructed the State Corporation not to withdraw funds from Trust Bank Limited.

2. The Committee further directed the Parent Ministry to confirm its approval of transport allowance as an item in Agricultural Finance Corporation's budget by the same date.

MINUTE NO. 33/99 **DEFERRED EVIDENCE - AGRICULTURAL FINANCE CORPORATION AFC - AGENCY SEASONAL CROP CREDIT ACCOUNTS FOR THE YEARS 1995/96 - 1996/97**

The Committee deferred taking evidence on the said accounts to a later date.

Consequently, the Committee directed the Parent Ministry to establish the Government position with regard to loan repayment and restructuring of the Corporation.

MINUTE NO. 34/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Five O'clock until this Friday 13th August, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **13th August, 1999**

MINUTES OF THE SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 13TH AUGUST, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. John K. Sambu, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. Abubakar M. Badawy, M.P.
Hon. Ali I. Shaaban, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. Werunga	-	Deputy Clerk
Mr. D.K. Ziah	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. C.N. Nyanyuki	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Deputy Programme Manager
Mr. T.K. Khakame	-	Chief Accountant

MINUTE NO.35/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the Sixth sitting of the Committee held on Thursday 12th August, 1999 were confirmed by the Members present and signed by the Chairman. Proposed by Hon. Ayacko, M.P. and seconded by Hon. Parpai. M.P.

MINUTE NO.36/99 **MATTERS ARISING**

1. The Committee resolved that the office of the Inspector of State Corporations should be represented

in all its sittings as is the case with the office of the Auditor-General (Corporations) and the Department of Government Investments in Treasury.

2. The Committee directed the Secretariat to compile a register for all additional information to be submitted by the Chief Executives and a list of witnesses to be summoned.

MINUTE NO.37/99 **EVIDENCE**

The Report and Accounts of South Nyanza Sugar Company Ltd for the year 1995/96 and the Certificate thereon by the Auditor-General (Corporations).

Mr. Jack Maclean, General Manager of South Nyanza Sugar Company accompanied by Messrs:- Patrick Ojera, Financial Controller; Sylvester Namsando, Financial Accountant; Joseph Aoll, Company Secretary and A.M. Gakere, Deputy Secretary, Ministry of Agriculture; appeared before the Committee and gave evidence on the accounts of the Company for the year 1995/96.

MINUTE NO. 38/99 **ADDITIONAL INFORMATION PARAGRAPH 1 OF 1995/96 - DOUBLE PAYMENT TO M/S BOOKER TATE LTD**

The committee directed the Chief Executive to submit the following information by Friday 20th August, 1999.

1. A detailed list of equipments and spare parts purchased from M/s Booker Tate for the last 5 years and the prices of the same.

2. Proof that National Bank of Kenya did not charge interest on the money inadvertently remitted.

3. Documentary evidence in support of the transactions between:-

   - National Bank of Kenya and its constituent bank in New York.

   - The constituent bank in New York and M/s Booker Tate in United Kingdom.

   - Receipt of refund of Stg £ 9,297.85 from M/s Booker Tate to the Company.

4. A letter from National Bank of Kenya exonerating SONY Sugar Company from the erroneous remittances.

MINUTE NO.39/99 **ADDITIONAL INFORMATION PARAGRAPH 2 OF 1995/96 ACCOUNTS - OVERDRAWN BOOKER TATE CASH ACCOUNT**

1. The Committee directed the Chief Executive to submit the following information by Friday 20th August, 1999.

   (i) A copy of the technical management agreement between M/s Booker Tate and the Government of Kenya.

   (ii) A detailed write-up on the performance and achievement of the Technical Management Team, M/s Booker Tate.

2. The Committee further directed that the Company's Board Members should be summoned to appear before it at a later date.

3. The Committee resolved to make an inspection visit to the Company at a later date.

MINUTE NO.40/99 **DEFERRED EVIDENCE PARAGRAPH 3 OF 1995/96 ACCOUNTS SUGAR DEBTORS**

1. The Committee deferred taking evidence on the said paragraph and directed the Chief Executive to submit the following information by Friday 20th August, 1999.

   (i) Reasons for the dismissal of the former Sales Manager.

   (ii) A list detailing the companies and Directors given discount on sugar sales and the amount involved during the year under review.

2. The Committee further directed the Auditor-General (Corporations) to verify the details of reconciliation of Kshs.31,710,040 in respect of sugar debtors.

MINUTE NO. 41/99 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until Tuesday 17th August, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **17th August, 1999**

MINUTES OF THE EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON TUESDAY 17TH AUGUST, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. John K. Sambu, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.
Hon. Ali I. Shaaban, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. H. Waciira	-	Assistant Director of Audit
Mr. Z.T. Komora	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. R.E. Ndubai	-	Ag. Inspector of State Corporations
Mr. C.B. Ochieng	-	Deputy Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. G. Mitine	- Investment Secretary
Mr. Z. Achira	- Programme Finance Manager

MINUTE NO.42/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the Seventh sitting of the Committee held on Friday 13th August, 1999 were confirmed by Members present and signed by the Chairman. Proposed by Hon.

Sang', M.P. and seconded by Hon. Kaindi, M.P.

MINUTE NO.43/99 **EVIDENCE**

KENYA PORTS AUTHORITY

Mr. L.J. Mwangola Managing Director of Kenya Ports Authority accompanied by Messrs:- S.S. Maneno, Chairman; D.A.G. Omenye, Deputy Managing Director; V.M. Wa-Kayanda, Human Resources Controller; D.M. Kabungo, Financial Controller; N.O. Were, Financial Accountant; James Oluoch, Stores Controller; P.G. Njari, Head of Internal Audit; A.M. Samatar, Ag. Chief Civil Engineer and Hezron Oluoch, Deputy Secretary, Ministry of Transport and Communications; appeared before the Committee and gave evidence on the privatisation of Kenya Ports Authority.

MINUTE NO. 44/99 **ADDITIONAL INFORMATION - PRIVATISATION**

The Committee directed the Chief Executive to submit the following information by Monday 23rd August, 1999.

(i) A copy of the Hickling Report on the privatisation of the Authority.

(ii) Details of pre-qualification tenders for the Inland Container Depot (Eldoret).

(iii) Details of the expenditure incurred by the Authority on privatisation process to-date.

MINUTE NO. 45/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. John K. Sambu, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.
Hon. Ali I. Shaaban, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge - Director of Audit
Mr. H. Waciira - Assistant Director of Audit
Mr. Z.T. Komora - Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. R.E. Ndubai - Ag. Inspector of State Corporations
Mr. C.B. Ochieng - Deputy Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. G. Mitine - Investment Secretary
Mr. Z.E.N. Achira - Programme Finance Manager

MINUTE NO.46/99 **EVIDENCE**

KENYA PORTS AUTHORITY

Mr. L.J. Mwangola, Managing Director of Kenya Ports Authority accompanied by his team re-appeared before the Committee and gave further evidence on the privatisation of the Authority.

MINUTE NO.47/99 **ADDITIONAL INFORMATION - TENDERING**

The Committee directed the Chief Executive to submit the following information by Monday 23rd August, 1999.

(i) A list of all the companies who responded to the pre-qualification tenders for the identification of potential operators of the Inland Containter Depot, Eldoret.

(ii) The directors of the four (4) companies who were short listed in the pre-qualification tenders.

(iii) The relevant sections of the Authority's Act (Cap 391) which purportedly gives the Authority the leeway to lease out, commercialise or concessionalise some of its services to an agent.

MINUTE NO.48/99 **ADDITIONAL EVIDENCE**

(i) The Committee directed that the former and current Permanent Secretaries of the Ministry of Transport and Communications should appear before it at a later date together with the management of the Authority.

(ii) The Committee further directed the Chief Executive to submit the accounts for the Pensions Scheme of the former Kenya Cargo Handling Services Limited.

MINUTE NO.49/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Five O'clock until Wednesday 18th August, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **18th August, 1999**

MINUTES OF THE NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON WEDNESDAY 18TH AUGUST, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. John K. Sambu, M.P.
Hon. P.K.M. Sang', M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. Ali I. Shaaban, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. C.L. Nyaribo	-	Auditor I

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng - Deputy Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z. E. Achira - Programme Finance Manager
Mr. T.K. Khakame - Chief Accountant

MINUTE NO.50/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the Eight Sitting of the Committee held on Tuesday 17th August, 1999 were confirmed by the Members present and signed by the Chairman. Proposed by Hon. Donde, M.P. and seconded by Hon. Badawy, M.P.

MINUTE NO.51/99 **MATTERS ARISING**

Under Minute No. 48/99, the Committee resolved that both the Inspector of State Corporations and the Investment Secretary (Treasury) should appear together with the management of Kenya Ports Authority.

MINUTE NO. 52/99 **EVIDENCE**

The Report and Accounts of Kenya Tea Development Authority for the year 1994/95 and the Certificate thereon by the Auditor-General (Corporations).

Mr. E.G. Karanja, Managing Director of Kenya Tea Development Authority accompanied by Messrs:- J.F. Luhango, Finance Manager; P.G. Gathuri, Accounts Manager; D.K. Kimani, Financial Controller; Catherine Kimura, Deputy Secretary/Alternate Director, Ministry of Finance; and Rachel Arungah, Deputy Secretary, Ministry of Agriculture; appeared before the Committee and gave evidence on the accounts of the Authority for the year 1994/95.

MINUTE NO. 53/99 **DEFERRED EVIDENCE PARAGRAPH 1 OF 1994/95 ACCOUNTS - EXPORT COLLECTION CASH ACCOUNT**

The Committee deferred taking evidence on the said paragraph and directed the Chief Executive to submit the following information by Tuesday 24th August, 1999.

(i) Copies of the fixed deposit certificates for the year in question.

(ii) Copies of the fixed deposit registers for the period 1994/95 to-date.

MINUTE NO. 54/99 **DEFERRED EVIDENCE PARAGRAPH 2 OF 1994/95 ACCOUNTS - CASH AND BANK BALANCE/OVERDRAFT**

1. The Committee deferred taking evidence on the said paragraph and directed the Chief Executive to submit the following information by Tuesday 24th August, 1999.

(i) A detailed analysis of the tea factories which advanced the Authority amounts totalling Kshs.300,000,000.

(ii) Copies of the Board Minutes that deliberated on the audited account of the Authority for the year 1994/95.

2. The Committee further directed both the Chief Executive and the Auditor-General (Corporations) to reconcile the accounts of the Authority within 3 weeks.

3. The Committee resolved to inspect Kenya Tea Development Authority and its subsidiary factories at a later date.

MINUTE NO. 55/99 **DEFERRED EVIDENCE**
PARAGRAPH 3 OF 1994/95 ACCOUNTS
PURCHASE OF TRUCKS

1. The Committee deferred taking evidence on the said paragraph and directed the Chief Executive to submit the following information by Wednesday 25th August, 1999.

(i) A written confirmation from the General Motors to the Authority on its inability to supply the trucks to the Authority due to shortage.

(ii) Directors of the Company which supplied the trucks at a cost of Kshs.109,553,800.

2. The Committee further directed the following to appear before it together with the management at a later date.

(i) Permanent Secretary, Ministry of Agriculture.

(ii) Mr. C. Irungu, former Managing Director of the Authority.

3. The Committee also directed the Parent Ministry to state in writing the basis for exempting the Authority from the provisions of the State Corporations Act (Cap. 446).

MINUTE NO. 56/99 **DEFERRED EVIDENCE - 1994/95 ACCOUNTS**

The Committee deferred taking evidence as follows:-

(i) Paragraph 4 - Investment in Tea Factory Companies.

(ii) Paragraph 5 - Debtors and pre-payments.

(iii) Paragraph 6 - Olenguruone Tea Project.

MINUTE NO. 57/99 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. John K. Sambu, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.
Hon. Joseph A. Donde, M.P.

ABSENT WITH APOLOGY:

Hon. Ali I. Shaaban, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. C.L. Nyaribo	-	Auditor I

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng - Deputy Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. T.K. Khakame - Chief Accountant

MINUTE NO.58/99 **EVIDENCE**

The Report and Accounts of Ngere Tea Factory for the year 1995/96 and the Certificate thereon by the Auditor-General (Corporations).

Mr. E.G. Karanja, Managing Director of Kenya Tea Development Authority accompanied by Messrs:- J.F. Luhango, Finance Manager; P.G. Gathuri, Accounts Manager; D.K. Kimani, Financial Controller; Catherine Kimura, Deputy Secretary/Alternate Director, Ministry of Finance; and Rachel Arungah, Deputy Secretary, Ministry of Agriculture; appeared before the Committee and gave evidence on the accounts of Ngere Tea Factory for the years 1993/94 - 1995/96.

MINUTE NO. 59/99 **PAPER LAID**

The Auditor-General (Corporations) tabled a copy of the internal office memo from Kenya Tea Development Authority to M/s Intership Clearing and Forwarding Company regarding the trucks acquired from M/s General Motors Ltd.

MINUTE NO. 60/99 **DEFERRED EVIDENCE**
NGERE TEA FACTORY
1993/94 - 1995/96 ACCOUNTS

The Committee deferred taking evidence on the said accounts to a later date.

Consequently, the Committee directed the Chief Executive to submit a detailed curriculum vitae for the top management of the Authority.

MINUTE NO. 61/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Four O'clock until Thursday 19th August, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **19th August, 1999**

MINUTES OF THE TENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON THURSDAY 19TH AUGUST, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. John K. Sambu, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. Ali I. Shaaban, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. H. Wacira	-	Assistant Director of Audit
Mr. S. W. Ochieng	-	Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. R. E. Ndubai	-	Ag. Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J. D. Mwangi	-	Programme Manager
Mr. J.G. Kiarii	-	Accountant I

MINUTE NO. 62/99 CONFIRMATION OF THE MINUTES

The Minutes of the Ninth Sitting of the Committee held on Wednesday 18th August, 1999 were confirmed by the Members present and signed by the Chairman. Proposed by Hon. Sambu, M.P. and seconded by Hon. Badawy, M.P.

MINUTE NO.63/99 **EVIDENCE**

The Report and Accounts of National Oil Corporation for the years 1995/96 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. F.K. Moiywo, Managing Director of National Oil Corporation of Kenya accompanied by Messrs:- Fred M. Mbatau, General Manager; James Nyamongo, Chief Accountant; and Gathungu Meta, Deputy Secretary, Ministry of Energy; appeared before the Committee and gave evidence on the accounts of the Corporation for the years 1995/96 -1996/97.

MINUTE NO. 64/99 **ADDITIONAL INFORMATION PARAGRAPH 2 OF 1995/96 ACCOUNTS NAKURU - NAIROBI ROAD PLOT**

The Committee directed the Chief Executive to submit details for the amounts paid by the Corporation for the plots acquired for the development of petrol service stations.

MINUTE NO. 65/99 **ADDITIONAL INFORMATION PARAGRAPH 3 OF 1995/96 ACCOUNTS PROVISION FOR BAD DEBTS**

The Committee directed the Chief Executive to submit a detailed analysis of Kshs.329,167,880 paid to the Corporation by the Government for compensation of the losses incurred on oil importation by Tuesday 24th August, 1999.

MINUTE NO. 66/99 **DEFERRED EVIDENCE - 1996/97 ACCOUNTS**

The Committee deferred taking evidence on the said accounts to a later date.

MINUTE NO. 67/99 **ADDITIONAL INFORMATION - INSPECTION REPORT**

The Committee directed the Inspector of State Corporations to submit a copy of the Inspection Report carried on National Oil Corporation by Monday 23rd August, 1999.

MINUTE NO. 68/99 **ADJOURNMENT**

The Chairman adjourned the meeting at twenty minutes past One O'clock until Friday 20th August, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **20th August, 1999**

MINUTES OF THE ELEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 20TH AUGUST, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. John K. Sambu, M.P.
Hon. David Kombe, M.P.
Hon. Ali I. Shaaban, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. J. K. Mukhooli	-	Assistant Director of Audit
Mr. C. N. Nyanyuki	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. E. M. Ngigi	-	Principal Assistant Inspector

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E. Achira	-	Programme Finance Manager
Mr. R O. Onyuna	-	Senior Economist

MINUTE NO. 69/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the Tenth Sitting of the Committee held on Thursday 19th August, 1999 were confirmed by the Members present and signed by the Chairman. Proposed by Hon. Parpai, M.P. and seconded by Hon. Kaindi, M.P.

MINUTE NO. 70/99 **EVIDENCE**

The Report and Accounts of Lake Basin Development Authority for the year 1994/95 and the certificate thereon by the Auditor-General (Corporations).

Dr. Jairus Amayi, Ag. Managing Director of Lake Basin Development Authority accompanied by Messrs:- Margaret N. Nyakiamo, Financial Controller and W.A. Onono, Deputy Secretary, Ministry of Rural Development; appeared before the Committee and gave evidence on the accounts of the Authority for the year 1994/95.

MINUTE NO. 71/99 **DEFERRED EVIDENCE - 1994/95 ACCOUNTS**

The Committee deferred taking evidence as follows:-

Paragraph 2 - Financial position

Paragraph 3 - Over-expenditure

Paragraph 4 - Stalled Headquarters Buildings and Staff Housing Project.

Paragraph 5 - Bank overdraft

MINUTE NO. 72/99 **APPOINTMENT OF THE SUBSTANTIVE MANAGING DIRECTOR OF THE AUTHORITY**

The Committee directed the Clerk of National Assembly to write to the Parent Ministry to follow up the issue of appointment of the substantive Managing Director of the Authority.

MINUTE NO. 73/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Twelve O'clock until Tuesday 24th August, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **24th August, 1999**

MINUTES OF THE TWELFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON TUESDAY 24TH AUGUST, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang', M.P.
Hon. Ochilo Ayacko, M.P.
Hon. John K. Sambu, M.P.
Hon. Ali I. Shaaban, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. H. Wanyama	-	Assistant Director of Audit

INSPECTORATE OF STATE CORPORATIONS

Mr. E. M. Ngigi	-	Principal Assistant Inspector

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	- Programme Finance Manager
Mr. R. O. Onyuna	- Senior Economist

MINUTE NO. 74/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the Eleventh Sitting of the Committee held on Friday 20th August, 1999 were confirmed by the Members present and signed by the Chairman. Proposed by Hon. Kombe, M.P. and seconded by Hon. Badawy, M.P.

MINUTE NO. 75/99 **EVIDENCE**

The Report and Accounts of National Cereals & Produce Board for the years 1995/96 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Maj. (Rtd) W.K. Koitaba, Managing Director of National Cereals and Produce Board accompanied by Messrs:- W.K. Maina, General Manager, (Finance & Administration); R.K. Langat, Technical Manager; S.K. Muhihu, Operations Manager; C.S. Khaemba, Chief Accountant; P.N. Mutua, Chief Internal Auditor; A. Kamau, Chief Legal Officer and Ng'ethe Mbugua, Deputy Secretary, Ministry of Agriculture; appeared before the Committee and gave evidence on the accounts of the Board for the years 1995/96 - 1996/97.

MINUTE NO. 76/99 **ADDITIONAL INFORMATION - PARAGRAPH 1 OF 1995/96 ACCOUNTS - FIXED ASSETS**

1. The Committee directed the Chief Executive to submit the following information by Monday 30th August, 1999.

   (i) A copy of the allotment letter for the parcel of land which accommodates the Board's depot in Kajiado.

   (ii) Details of all existing assets belonging to the Corporation.

2. The Committee further directed that both the Permanent Secretary, Ministry of Lands and the Commissioner of Lands should appear before it at a later date to explain the delay in processing of title deeds for the parcels of land claimed by the Board.

MINUTE NO. 77/99 **ADDITIONAL INFORMATION - PARAGRAPH 2.1 OF 1995/96 ACCOUNTS - GOVERNMENT DEBTORS**

1. The Committee directed the Chief Executive to submit the following information by Monday 30th August, 1999.

   A detailed analysis of Kshs.58,379,491 indicating the names of the District Commissioners, the amount transferred to and accounted for by each, and the balance.

2. The Committee further directed that the following should appear before it at a later date in respect of Government debtors.

- Permanent Secretary, Ministry of Agriculture
- Permanent Secretary, Provincial Administration, Office of the President.
- Permanent Secretary, Treasury.

MINUTE NO. 78/99 **ADDITIONAL INFORMATION - PARAGRAPH 2.2. OF 1995/96 ACCOUNTS - STAFF DEBTORS**

1. The Committee directed the Chief Executive to submit the following information in respect of stock losses totalling Kshs.90,711,776.72 (Annex No.X1) by Monday 30th August, 1999.

   (i) A schedule of commodities in respect of stock losses.

   (ii) Annual analysis of the stock losses from 1988 to-date.

   (iii) The amount recovered from stock losses to-date.

   (iv) A schedule of staff car loans.

   (v) A copy of the terms and condition of service for the Board's employees.

   (vi) A detailed analysis of Kshs.22,258,217.23 in respect of cash losses (Annex No.XI).

2. The Committee further directed that the former Managing Director, Mr. W. Chelashaw should appear before it together with the management at a later date.

MINUTE NO. 79/99 **ADJOURNMENT**

The Chairman adjourned the meeting at fifteen minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.
Hon. Ali I. Shaaban, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. Ochilo Ayacko, M.P.
Hon. John K. Sambu, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. Wambugu - Director of Audit
Mr. P.K. Muasya - Deputy Director of Audit
Mr. H. Wanyama - Assistant Director of Audit

INSPECTORATE OF STATE CORPORATIONS

Mr. E. M. Ngigi - Principal Assistant Inspector

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira - Programme Finance Manager

MINUTE NO. 80/99 **EVIDENCE**

The Report and Accounts of National Cereals & Produce Board for the years 1995/96 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Maj. (Rtd) W.K. Koitaba, Managing Director of National Cereals and Produce Board accompanied by his team re-appeared before the Committee and further gave evidence on the accounts of the Board for the years 1995/96 - 1996/97.

MINUTE NO. 81/99 **ADDITIONAL EVIDENCE - PARAGRAPH 2.4 OF 1995/96 - OTHER DEBTORS**

1. The Committee directed that the following former Managing Directors of the Board should appear before it at a later date.

   (i) Mr. B. Kikwai in respect of the advance payment of Kshs.92,748,748 for undelivered gunny bags.

   (ii) Mr. W. Chelashaw in respect of fraudulent payment of Kshs.33,725,646 at Mombasa depot.

2. The Committee further directed the Chief Executive to submit the following information by Monday 30th August, 1999.

   (i) A detailed analysis of Kshs.473,668,295.40 in respect of swap debtors.

   (ii) A detailed write-up on the fraudulent export payment transaction of Kshs.32,292,275.05 involving M/s Corigrain (UK) Ltd and a former employee of the Board.

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MINUTE NO. 82/99 **PAPER LAID**

The Chief Executive tabled a detailed analysis of the debtors as at 30th June, 1998 during the deliberations of the committee.

MINUTE NO. 83/99 **DEFERRED EVIDENCE**

The Committee deferred taking evidence as follows:-

(i) 1995/96 Accounts

Paragraph 3 - Operating Stocks

Paragraph 4 - Sale of Subsidiary Companies

Paragraph 5 - Trade Creditors and Provisions

Paragraph 6 - Insurance Expenses and unsettled insurance claims

(ii) 1996/97 Accounts

MINUTE NO. 84/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Six O'clock until Wednesday 25th August, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **27th August, 1999**

MINUTES OF THE THIRTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON WEDNESDAY 25TH AUGUST, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. P.K.M. Sang', M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. Ochilo Ayacko, M.P.
Hon. John K. Sambu, M.P.
Hon. Ali I. Shaaban, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. E.H. Gikonyo	-	Deputy Director of Audit
Mr. T.O. Oketch	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng	-	Deputy Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. S.M. Kitungu	-	Principal Economist
Mr. J.G. Kiarii	-	Accountant I

MINUTE NO. 85/99 **EVIDENCE**

The Report and Accounts of Kenya Posts and Telecommunications Corporation for the years 1995/96 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. A. K. Cheserem, Managing Director of Telcom Kenya Limited accompanied by Messrs:- A.M. Nzano, General Manager, Finance and Accounts; S.D. Kamau, Manager (Financial Accounting); J.K. Naswan, Manager (Architectural Services); P.K. Mutinda, Company Secretary; and G. Kithinji, Deputy Secretary, Ministry of Transport and Communication; appeared before the Committee and gave evidence on the accounts of Kenya Posts and Telecommunications Corporations for the years 1995/96 - 1996/97.

MINUTE NO. 86/99 **ADDITIONAL INFORMATION PARAGRAPH 1 OF 1995/96 -ACCOUNTS - FINANCIAL POSITION**

The Committee deferred taking evidence on the said paragraph and directed as follows:-

1. The Chief Executive to submit the following information by Tuesday 31st August, 1999.

   (i) A detailed analysis of Kshs.6,776,730,340 in respect of stock.

   (ii) The purpose and utilization of Kshs.27.6 billion in respect of on-lent loans.

2. The Managing Director of postal Corporation to appear before it at a later date in connection with the purchase of stamps.

MINUTE NO. 87/99 **DEFERRED EVIDENCE PARAGRAPH 2 OF 1995/96 - ACCOUNTS - INACCURACIES IN THE ACCOUNTS**

1. The Committee directed the Chief Executive to submit copies of the consultancy audit reports for the prior 3 years by Tuesday 31st August, 1999.

2. The Committee further directed the Auditor-General (Corporations) to verify the accounting adjustments incorporated in the Corporation's 1997/98 annual Accounts.

MINUTE NO. 88/99 **DEFERRED EVIDENCE PARAGRAPH 3 OF 1995/96 - ACCOUNTS - SALE OF DRIVE-IN ESTATE**

1. The Committee directed the Chief Executive to submit the following information by Tuesday 31st August 1999.

(i) The Board minutes that deliberated on the acquisition of the maisonettes and the subsequent sale of the same.

(ii) The directors of both M/s Afrison Export/Import Ltd and M/s Huelands Ltd during the period of the transactions.

2. The Committee further directed that the then Managing Director, Hon. Kipng'eno arap Ng'eny should appear before it at a later date.

MINUTE NO. 89/99 ADJOURNMENT

The Chairman adjourned the meeting at fifteen minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. P.K.M. Sang', M.P.
Hon. David Kombe, M.P.
Hon. John K. Sambu, M.P.

ABSENT WITH APOLOGY:

Hon. Ochilo Ayacko, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Ali I. Shaaban, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. E.H. Gikonyo	-	Deputy Director of Audit
Mr. T.O. Oketch	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng	-	Deputy Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. S.M. Kitungu - Principal Economist
Mr. J.G. Kiarii - Accountant I

MINUTE NO. 90/99 **EVIDENCE**

The Report and Accounts of Kenya Posts and Telecommunications Corporation for the years 1995/96 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. A.K. Cheserem, Managing Director of Telkom Kenya Ltd accompanied by his team re-appeared before the Committee and gave further evidence on the accounts of the Corporation for the years 1995/96 - 1996/97

MINUTE NO. 91/99 **ADDITIONAL INFORMATION - PARAGRAPH 4 OF 1995/96 ACCOUNTS - PURCHASE OF TWO PLOTS OF LAND AT KAREN**

The Committee directed the Chief Executive to submit the following information by Tuesday 31st August, 1999.

1. (i) A detailed breakdown of Kshs.196,761,385 in respect of professional fees paid on the said plots.

(ii) Copies of the payment cheques for the professional fees.

(iii) A copy of the Board paper that hired Mr. Paul Ndarua and his terms of reference.

(iv) A copy of the agreement between the Corporation and the professional firms.

(v) Copies of the Board minutes that deliberated on the appointment of the professional firms and the letter commissioning them.

(vi) Copies of the design drawings for the training project.

(vii) The acreage of the plot in Kabete where AFRALTI offices are situated and the actual date when the management moved to the said location.

2. The Committee further directed as follows:-

(i) The Chief Executive to ascertain the amount owed to the bank by M/s Benja Investments in respect of the charged title deed by Friday 3rd September, 1999.

(ii) The Chief Executive to follow up the court case regarding the said plots and give the Committee a feedback by 25th September, 1999.

3. The Committee also directed that both Mr. Paul Ndarua and the consultant firms should appear before it in connection with the training project.

MINUTE NO. 92/99 **ADDITIONAL INFORMATION - PARAGRAPH 5 OF 1995/96 ACCOUNTS - PENSION FUNDS INVESTMENT**

The Committee directed the Chief Executive to submit the assets schedule for the Pension Fund Scheme worth Kshs.2.5 billion.

MINUTE NO. 93/99 **DEFERRED EVIDENCE**

Paragraph 6 - Short Term Deposits

Paragraph 7 - Cash and Bank Balances

MINUTE NO. 94/99 **ANY OTHER BUSINESS**

MALINDI PLOT

The Committee directed that the Clerk of Malindi Municipal Council should appear before it at a later to explain the following:-

(i) The amount of money disbursed to the Council by its lawyer out of Kshs. 10 million paid by the Corporation in respect of the said plot.

(ii) The amount of money the Council paid to both its lawyer and the sale nominee for the transaction on the said plot.

(iii) To provide the sale agreement between the Council and the Corporation on the said plot .

MINUTE NO. 95/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Six O'clock until Thursday 26th August, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **27th August, 1999**

MINUTES OF THE FOURTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON THURSDAY 26TH AUGUST, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ochilo Ayacko, M.P.
Hon. John K. Sambu, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit
Mr. E.H. Gikonyo - Deputy Director of Audit
Mr. G.A. Osaho - Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng - Deputy Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R. O. Oyuna - Senior Economist
Mr. T.K. Khakame - Chief Accountant

MINUTE NO. 96/99 **EVIDENCE**

The Report and Accounts of National Housing Corporation for the years 1995/96 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. Lawi Kiplagat, Managing Director of National Housing Corporation accompanied by Messrs:- W.M. Wepukhulu,

Finance Manager; J.A. Shikumo, Technical Manager; A.N. Nyaga, Chief Accountant; E.W. Mbugua, Corporation Secretary; and Paul Sika, Ag. Chief Architect, Ministry of Public Works and Housing; appeared before the Committee and gave evidence on the account of the Corporation for the years 1995/96 - 1996/97.

MINUTE NO. 97/99 **ADDITIONAL INFORMATION - PARAGRAPH 1 OF 1995/96 ACCOUNTS - FINANCIAL POSITION**

The Committee directed the Treasury to submit a detailed write-up on the following by Wednesday 1st September, 1999.

(i) The Government position on the continued provision of subsidiy to the Corporation.

(ii) How the Treasury intends to address the upward revision of the low interest rates payable through the mortgage schemes.

(iii) How the Government intends to treat the amount of Kshs.1,490,687,725.00 owed to it by the Corporation.

MINUTE NO. 98/99 **ADDITIONAL INFORMATION - PARAGRAPH 2 OF 1995/96 ACCOUNTS - LOAN ARREARS DUE**

1. The Committee directed the Chief Executive to submit the following information by Tuesday 31st August, 1999.

   (i) A copy of the legally executed affidavit in respect of Kapsoya Scheme court case.

   (ii) All correspondence between the Corporation and its lawyer on Kapsoya Scheme.

   (iii) A write-up on why the court case in respect of Kapsoya Scheme has not been concluded.

   (iv) A detailed breakdown of loan arrears due from Local Authorities, pending court cases arising thereof and outstanding loan arrears to-date.

   (v) A list detailing the beneficiaries of Kshs.66,523,140.00 in respect of Rural Housing Loans.

2. The Committee further directed the Chief Executive to urgently file all cases regarding loan arrears with Commercial courts and give the Committee a feedback by 25th September, 1999.

MINUTE NO. 99/99 **ADDITIONAL INFORMATION - PARAGRAPH 3 OF 1995/96 ACCOUNTS - EXPENDITURE THROUGH CREDIT CARD**

The Committee directed the Chief Executive to submit following information by Tuesday 31st august, 1999.

(i) A detailed breakdown of the expenditure through Credit Card of Kshs.231,482.00.

(ii) The amount owed to the Corporation to-date by the Chief Executive in respect of imprest.

MINUTE NO. 100/99 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ochilo Ayacko, M.P.
Hon. John K. Sambu, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. David Kombe, M.P.
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. E.H. Gikonyo	-	Deputy Director of Audit
Mr. G.A. Osaho	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng - Deputy Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R. O. Oyuna - Senior Economist
Mr. T.K. Khakame - Chief Accountant

MINUTE NO. 101/99 **EVIDENCE**

The Report and Accounts of National Housing Corporation for the years 1995/96 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. Lawi Kiplagat, Managing Director of National Housing Corporation accompanied by his team re-appeared before the Committee and gave further evidence on the accounts of the Corporation for the years 1995/96 - 1996/97.

MINUTE NO. 102/99 **PAPERS LAID**

The following papers were tabled during the deliberations of the Committee:-

(i) A letter detailing the amount owed to the Corporation by its Managing Director in respect of imprest.

(ii) A copy of the Part Development Plan for the Kibera low cost housing project.

(iii) A copy of the letter from the Ministry of Lands and Settlement to the Corporation detailing the acreage reserved for the said housing project.

MINUTE NO.103/99 **ADDITIONAL INFORMATION - PARAGRAPH 4 OF 1995/96 ACCOUNTS - SALE OF LR.NO. 209/11395 - KIBERA HIGHRISE**

1. The Committee directed the Chief Executive to submit the following information by Tuesday 31st August, 1999.

   (i) Directors of M/s Paroj Enterprises Ltd who were allocated the said land.

   (ii) The cost of the valuation of the said plot

allocated to M/s Paroj Enterprises Ltd.

(iii) Correspondence between the Corporation and the Commissioner of Lands on the surrender of the said plot.

(iv) The acreage of the plot allocated to M/s Paroj Enterprises Ltd.

(v) Details of the cases where the Commissioner of Lands has re-possessed the open spaces within the Corporation's Housing Estates without consulting the Corporation.

2. The Committee further directed the Parent Ministry to liaise with the Commissioner of Lands with a view to reverting the ownership of the said plot to Corporation. The Committee to be given a progress report on the same by Friday 17th September, 1999.

3. The Committee also directed that the Commissioner of Lands should appear before it at a later date in connection with the surrender and subsequent re-allocation of the said plot.

MINUTE NO. 104/99 **ADDITIONAL INFORMATION - PARAGRAPH 5 OF 1995/96 ACCOUNTS - MOTOR VEHICLES VOLVO (KAE 965T) AND PAJERO (KAD 954R)**

(i) The Committee directed the Chief Executive to obtain authority from the Office of the President for the usage of civilian number plates by 26th September, 1999 and report back to the Committee thereafter.

(ii) The Committee further directed the Auditor-General (Corporations) to verify the original log books of the said two vehicles to confirm the ownership.

MINUTE NO. 105/99 **DEFERRED EVIDENCE - 1996/97 ACCOUNTS**

The Committee deferred taking evidence on the said accounts to a later date.

MINUTE NO. 106/99 **ANY OTHER BUSINESS**
HOUSING SCHEME IN MALINDI

The Committee resolved to discuss the housing scheme when the management re-appears before it. The Committee further resolved to make an inspection visit of the said housing scheme at a later date.

MINUTE NO. 107/99 ADJOURNMENT

The Chairman adjourned the meeting at thirty minutes past Five O'clock until Friday 27th August, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **1st September, 1999**

MINUTES OF THE FIFTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 27TH AUGUST, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ochilo Ayacko, M.P.
Hon. John K. Sambu, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. H. Waciira	-	Assistant Director of Audit
Mr. S.W. Ochieng	-	Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary
Mr. D.A. Ongati	-	Senior Accountant

MINUTE NO. 108/99 CONFIRMATION OF THE MINUTES

The Minutes of the Twelfth and Thirteenth Sittings of the Committee held on Tuesday 24th and Wednesday 25th August, 1999 respectively were confirmed by the Members present and signed by the Chairman. Proposed by Hon. Kaindi and Hon. Badawy; and seconded by Hon. Amin and Hon. Sang' respectively.

MINUTE NO. 109/99 **EVIDENCE**

The Report and Accounts of Kenya Forestry Research Institute for the years 1994/95 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Dr. P.A.K. Konuche, Director of Kenya Forestry Research Institute accompanied by Messrs P.N. Omesa, Deputy Director; C.N. Mungai, Chief Accountant; R.O. Omoro, Senior Accountant; Mary M. Kuria, Deputy Secretary (Finance), Ministry of Research and Technology; and F.G. Baruthi, Accounts Controller; appeared before the Committee and gave evidence on the accounts of the Institute for the years 1994/95 - 1996/97.

MINUTE NO. 110/99 **ADDITIONAL INFORMATION**

(i) The Committee directed the Chief Executive to submit a report on the research and exploitation of mangroove trees at the Coast by Friday 3rd September, 1999.

(ii) The Committee further directed the Parent Ministry to confirm whether or not foreign researchers have been engaged in Pan Paper Mills, Webuye by Monday 30th August, 1999.

MINUTE NO. 111/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Twelve O'clock until Monday 30th August, 1999 at 2.30 p.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **31st August, 1999**

MINUTES OF THE SIXTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON MONDAY 30TH AUGUST, 1999 AT 2.30 P.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ochilo Ayacko, M.P.
Hon. John K. Sambu, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. Ali I. Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. W.K. Kemei	-	Auditor-General (Corporations)
Mr. A. Denge	-	Director of Audit
Mr. E. N. Wambugu	-	Director of Audit

INSPECTORATE OF STATE CORPORATIONS

Mr. J.N. Kithete	-	Senior Economist

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary

MINUTE NO. 112/99 CONSIDERATION OF THE 6TH AND 7TH TREASURY MEMORANDA

The Committee discussed at length the issues to be raised with the "Big Five" on the implementation status of both its 6th and 7th Reports. Accordingly, the Committee resolved that the purpose of the meeting would be to appraise it on the implementation status of the recommendation of the said reports by the respective State Corporations.

MINUTE NO.113/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Five O'clock until Tuesday 31st August, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **31st August, 1999**

MINUTES OF THE SEVENTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON TUESDAY 31ST AUGUST, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ochilo Ayacko, M.P.
Hon. John K. Sambu, M.P.
Hon. David Kombe, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. F.J. Mwasella	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. J.N. Kithete	-	Senior Economist
Ms Joyce Wesonga	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	-	Programme Finance Manager
Mr. Kubai Khasian	-	Under Secretary
Mr. D.A. Ongati	-	Senior Accountant

MINUTE NO. 114/99 CONFIRMATION OF THE MINUTES

The Minutes of the Fifteenth and Sixteenth Sittings of the Committee held on Friday 27th and Monday 30th August, 1999 respectively were confirmed by the Members present and signed by the Chairman. Proposed by Hon. Badawy and Hon. Sambu; and seconded by Hon. Donde and Hon. Sang' respectively.

MINUTE NO. 115/99 MATTERS ARISING

The Committee resolved to prepare a brief on the issues to be discussed with the "Big Five" regarding the implementation status of both its 6th and 7th Reports as follows:-

(i) **Hon. Mwangi Githiomi (Chairman)**
- Kenya Posts & Telecommunications Corporation (KPTC
- Kenya Railways (KR)
- Nyayo Tea Zones Development Corporation

(ii) **Hon. Peter Kaindi**
- National Cereals & Produce Board (NCPB)
- Kenyatta National Hospital (KNH)
- Kenya Airports Authority (KAA)

(iii) **Hon. P.K.M. Sang'**
- Milling Corporation of Kenya
- Kenya Pipeline Company (KPCL)
- Kenya National Library Services
- Kenya Industrial Research & Dev. Institute (KIRDI)

(iv) **Hon. A. Badawy**
- Kenya Ports Authority (KPA)
- Kenya Ferry Services (KFS)
- Kenya National Trading Corporation (KNTC)

(v) **Hon. D. Kombe**
- Coast Development Authority (CDA)
- National Council for Science & Technology

(vi) **Hon. O. Ayacko**
- Nzoia Sugar Company
- South Nyanza Sugar Company (SONY)
- Muhoroni Sugar Company
- Kenya Sugar Authority & Sugar Development Fund

(vii) **Hon. J. Donde**
- National Social Security Fund (NSSF)
- National Oil Corporation of Kenya (NOCK)
- Lake Basin Development Authority (LBDA)

(viii) **Hon. J. Sambu**
- Kenya Tea Development Authority (KTDA)
- Nyayo Bus Corporation
- Kenya Medical Research Institute (KEMRI)
- Kenya Agricultural Research Institute (KARI)

- National Housing Corporation (NHC)

(ix) **Hon. G.M. Parpai**
- Agricultural Finance Corporation (AFC)
- Agricultural Development Corporation (ADC)
- Teachers Service Commission (TSC)
- Kenya Wildlife Service (KWS)

(x) **Hon. S. Amin**
- Kenya Reinsurance Corporation (Kenya Re)
- Kenya Tourist Development Corporation (KTDC)
- Kenya Veterinary Vaccines Production Institute (KEVEVAPI)

MINUTE NO. 116/99 EVIDENCE

The Report and Accounts of Teachers Service Commission for the years 1994/95 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. Benjamin Sogomo, Secretary of Teachers Service Commission accompanied by Messrs:- W. Muthuuri, Deputy Commission Secretary (Finance); N.K. Kangichu, Principal Accounts Controller; B.M. Macharia, Chief Principal Internal Auditor; R.M. Mbato, Deputy Secretary, Ministry of Education; appeared before the Committee and gave evidence on the accounts of the Commission for the years 1994/95 -1996/97.

MINUTE NO. 117/99 DEFERRED EVIDENCE - PARAGRAPH 1 OF 1994/95 ACCOUNTS - FIXED ASSETS

1. The Committee directed the Chief Executive to submit the following information by Friday 3rd September, 1999.

   (i) All relevant correspondence between the Parent Ministry and the Commission in respect of the proposed TSC headquarters.

   (ii) The total amount to be paid as professional fees in respect of the proposed TSC headquarters.

   (iii) A copy of the title deed for plot no. LR/209/11422 and search from the Commissioner of Lands on the said plot.

   (iv) The total office space for the proposed TSC

headquarters.

(v) A copy of the lease agreement for the current rented premises and how it was sourced.

(iv) A detailed breakdown of the expenditure of Kshs.143 million incurred by the Commission in respect of office partitioning, furnishing and other incidental costs.

(vii) Details of the short-listed contractors, contract sum quoted by each, job specification, terms of the contract and the Bill of Quantities for the partitioning of the rented premises.

2. The Committee further directed that the following should appear before it at a later date together with the management.

(i) Permanent Secretary, Ministry of Education

(ii) Mr. Benjamin Kipkulei, former Permanent Secretary

(iii) Mr. Jackson Kang'ali, former Secretary to the Commission.

(iv) Directors of M/s Triad Architects and M/s Mathu & Gichuiri Quantity Surveyors.

MINUTE NO. 118/99 **ADDITIONAL INFORMATION - PARAGRAPH 2.1 OF 1994/95 ACCOUNTS - LOSSES OF CASH**

The Committee directed the Chief Executive to submit the following information by Friday 3rd September, 1999.

Details of the officers who were involved in the fraudulent payment of bogus TSC office rent totalling K£ 1,080,034.00.

MINUTE NO. 119/99 **ADDITIONAL INFORMATION - PARAGRAPH 2.2. OF 1994/95 ACCOUNTS - UNCLAIMED SALARIES**

1. The Committee directed that the Director of Criminal Investigations Department should appear before it at

a later date inconnection with Mr. Cyrus Maina's case regarding the unclaimed salaries.

2. The Committee further directed the Chief Executive to follow-up the said unclaimed salaries case with the Attorney-General and report back to the Committee by Friday 10th September, 1999.

MINUTE NO.120/99 **DEFERRED EVIDENCE**

The Committee deferred taking evidence as follows:

(i) 1995/96 Accounts
(ii) 1996/97 Accounts

MINUTE NO.121/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ochilo Ayacko, M.P.
Hon. John K. Sambu, M.P.
Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY:

Hon. Ali I. Shaaban, M.P.
Hon. David Kombe, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. H. Waciira	-	Assistant Director of Audit

INSPECTORATE OF STATE CORPORATIONS

Mr. R. E. Ndubai	-	Ag. Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary
Mr. F. W. King'ori	-	Assistant Secretary

MINUTE NO. 122/99 **EVIDENCE**

The Report and Accounts of Kenya Wildlife Service for the years 1995/96 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. Nehemiah Rotich, Director of Kenya Wildlife Service accompanied by Messrs:- F. Mugo, Financial Controller; P. Mtangwe, Group Revenue Accountant; R. Omondi, Group Financial Accountant; P. Mwiti, Head of Legal Services; Muthoni Thiong'o, Donor Liaison Officer; V. Mutisya, Chief Internal Auditor; M.K. Bor, Principal Administrative Secretary, Office of the President; appeared before the Committee and gave evidence on the accounts of Kenya Wildlife Service for the years 1995/96 - 1996/97.

MINUTE NO. 123/99 **ADDITIONAL INFORMATION**

The Committee directed the Chief Executive to submit a copy of the Legal Notice exempting the Corporation from the provisions of the State Corporations Act (Cap. 446) by Friday 3rd September, 1999.

MINUTE NO. 124/99 **ADJOURNMENT**

The Chairman adjourned the meeting at forty five minutes past Five O'clock until Wednesday 1st September, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **1st September, 1999**

MINUTES OF THE EIGHTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON WEDNESDAY 1ST SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ochilo Ayacko, M.P.
Hon. John K. Sambu, M.P.
Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.
Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. W. K. Kemei	-	Auditor-General (Corporations)
Mr. H. Waciira	-	Assistant Director of Audit

INSPECTORATE OF STATE CORPORATIONS

Mr. R. E. Ndubai	-	Ag. Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	-	Programme Finance Manager
Mr. Kubai Khasian	-	Under Secretary
Mr. D.A. Ongati	-	Senior Accountant

MINUTE NO. 125/99 CONFIRMATION OF THE MINUTES

The Minutes of the Fourteenth and Seventeenth Sittings of the Committee held on Thursday 26th and Tuesday 31st August, 1999 respectively were confirmed by the Members present and signed by the Chairman. Proposed by Hon.

Badawy and Hon. Donde; and seconded by Hon. Parpai and Hon. Badawy respectively.

MINUTE NO. 126/99 **EVIDENCE**

The Report and Accounts of National Social Security Fund for the years 1995/96 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. David Masika, Managing Trustee of National Social Security Fund accompanied by Messrs:- R. Mbaruku, Deputy Managing Trustee (Finance); D. Ruto, Investment Manager; A.S.N. Ndwiga, Estates Manager; S.K. Kimeto, Finance Manager; H.M. Mwashumbe, Chief Legal Officer; Mbaria Maina, Deputy Secretary, Ministry of Labour; appeared before the Committee and gave evidence on the accounts of the Fund for the years 1995/96 - 1996/97.

MINUTE NO. 127/99 **DEFERRED EVIDENCE - PARAGRAPH 1 OF 1995/96 ACCOUNTS - UNVOUCHED ADJUSTMENTS**

The Committee directed the Chief Executive to submit a detailed analysis of the errors of omissions and mispostings amounting to Kshs.132,070,000 million that have been carried forward over the years by Friday 3rd September, 1999.

MINUTE NO. 128/99 **DEFERRED EVIDENCE PARAGRAPH 2 OF 1995/96 ACCOUNTS - EXPENDITURE FOR THE YEAR**

The Committee directed the Chief Executive to submit the following information by Friday 3rd September, 1999.

(i) Details of the amount recovered to-date out of Kshs.39,429,000 in respect of the service charge.

(ii) Relationship between the office occupancy and the escalating service charge.

MINUTE NO. 129/99 **ADDITIONAL INFORMATION - PARAGRAPH 3 OF 1995/96 ACCOUNTS - PROVISION FOR DOUBTFUL LEGAL DEBTORS**

1. The Committee directed the Chief Executive to submit the following information by Friday 3rd September, 1999.

All correspondence between the Fund and the lawyers with a view to having an independent legal opinion on the amount of Kshs.294,351,000 million paid in respect of legal fee as fair and reasonable.

2. The Committee further directed that the following should appear before it at a later date.

(i) M/s Kilonzo & Co. Advocates
(ii) M/s Mauncho & Co. Advocates
(iii) M/s Onalo & Co. Advocates
(iv) Advocates acting on behalf of M/s Ombogo & Co. Advocates
(v) Mr. S.W. Muindi , former Managing Trustee
(vi) Former Legal Officer
(vii) Chief Legal Litigation Officer (Attorney General's Office).

3. The Committee also directed the Chief Executive to reconsider the continued engagement of M/s Kilonzo & Co. Advocates with the Board of Trustees with a view to terminating the firm's services and recovering the amount paid over and above the recommended remuneration order (Schedule 5).

MINUTE NO. 130/99 PAPER LAID

The Chief Executive tabled various correspondence between the Fund and M/s Kilonzo & Co. Advocates on the High Court Civil case No.5074 involving M/s Njama Ltd **vs** M/s Cypper Projects International Ltd and others.

MINUTE NO. 131/99 ADJOURNMENT

The Chairman adjourned the meeting at twenty minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ochilo Ayacko, M.P.
Hon. John K. Sambu, M.P.

Hon. Sayyid M. Amin, M.P.
Hon. Ali I. Shaaban, M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. W. K. Kemei	-	Auditor-General (Corporations)
Mr. H. Waciira	-	Assistant Director of Audit

INSPECTORATE OF STATE CORPORATIONS

Mr. R. E. Ndubai	-	Ag. Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	-	Programme Finance Manager
Mr. Kubai Khasian	-	Under Secretary
Mr. D.A. Ongati	-	Senior Accountant

MINUTE NO. 132/99 **EVIDENCE**

The Report and Accounts of National Social Security Fund for the years 1995/96 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. David Masika, Managing Trustee of National Social Security Fund accompanied by his team re-appeared before the Committee and gave further evidence on the accounts of the Fund for the years 1995/96 - 1996/97.

MINUTE NO. 133/99 **DEFERRED EVIDENCE - PARAGRAPH 4.0. OF 1995/96 ACCOUNTS - MANAGEMENT OF CASH**

The Committee directed the Chief Executive to submit all correspondence between the Fund and Kenya Revenue Authority in respect of the payment of Corporation Tax of Kshs.1,066,319 million to the Authority by Friday 3rd September, 1999.

MINUTE NO. 134/99 **DEFERRED EVIDENCE - PARAGRAPH 6.0 OF 1995/96 - ACCOUNTS - INVESTMENTS**

The Committee directed as follows:-

(i) Registrar of Companies to submit the details of the Directors of the Companies which sold the parcels of land stated in the paragraph to National Social Security Fund.

(ii) The following to appear before it a later date:-

- Mr. S.W. Muindi, former Managing Trustee.
- The professional firms that valued the eight (8) properties.

(iii) The Chief Executive to submit the following information on land reference No. 209/6439 by Friday 3rd September, 1999:-

(a) When Kenya Railsways Corporation sold the said land to a private firm.

(b) Market response/quotation to the Fund's sale advertisement for the said plot.

(c) The acreage and developments on the said plot.

(iv) The Chief Executive to submit the Fund's total investment portfolio detailing the properties, Land Reference No, size, pruchase price and the vendor.

(v) The Chief Executive to submit copies of all correspondence between the Fund and M/s Lloyd Masika regarding the valuation of the Fund's properties.

MINUTE NO. 135/99 **DEFERRED EVIDENCE**

(i) 1995/96 Accounts
Paragraph 7 - Term Deposits
8 - Rental Income
9 - Social Security House Annex

(ii) 1996/97 Accounts

MINUTE NO.136/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Six O'clock until Thursday 2nd September, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **6th September, 1999**

MINUTES OF THE NINETEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON THURSDAY 2ND SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ochilo Ayacko, M.P.
Hon. John K. Sambu, M.P.
Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY:

Hon. Abubakar M. Badawy, M.P.
Hon. David Kombe, M.P.
Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. B.O. Omolo	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. R. E. Ndubai	-	Ag. Inspector of State Corporations
Ms T.K. Gichana	-	Assistant Inspector

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Deputy Programme Manager
Mr. T.K. Khakame	-	Chief Accountant

MINUTE NO. 137/99 **EVIDENCE**

The Report and Accounts of Kerio Valley Development Authority for the years 1994/95 - 1995/96 and the certificate thereon by the Auditor-General (Corporations).

Mr. Immanuel Imana, Managing Director of Kerio Valley Development Authority accompanied by Messrs:- Z.M. Shigogodi, Financial Controller; and W.A. Onono, Deputy Secretary, Ministry of Rural Development; appeared before the Committee and gave evidence on the accounts of the Authority for the years 1994/95 - 1995/96.

MINUTE NO. 138/99 **ADDITIONAL INFORMATION - PARAGRAPH 1 OF 1995/96 ACCOUNTS**

1. The Committee directed the Chief Executive to submit copies of the design studies on the construction of water pans and canals by Friday 10th September, 1999.

2. The Committee further directed that Mr. Paul Chemweno, the former Managing Director should appear before it at a later date.

MINUTE NO. 139/99 **ADDITIONAL INFORMATION - PARAGRAPH 2 OF 1995/96 ACCOUNTS - SHORT TERM INVESTMENTS**

The Committee directed the Chief Executive to submit the following information by Friday 10th September, 1999.

(i) When the Authority withdrew the fixed deposit sum of Kshs.85,941,400.00 from National Bank of Kenya.

(ii) A detailed breakdown on how the said fixed deposit sum has been expended.

(iii) The expenses incurred by the former Managing Director in respect of the usage of the Credit Card.

MINUTE NO. 140/99 **PAPER LAID**

The Chief Executive tabled copies of the fixed deposit receipts for the amount which had been deposited by the Authority in National Bank of Kenya.

MINUTE NO. 141/99 **ADDITIONAL INFORMATION - PARAGRAPH 3 OF 1995/96 ACCOUNTS - LOSS OF SOLAR PANELS**

The Committee directed the Chief Executive to submit a copy of the signed Lease Agreement between Mr. Reuben Chesire and the Authority regarding the hire of a Cooler Truck.

MINUTE NO. 142/99 **DEFERRED EVIDENCE - 1995/96 ACCOUNTS**

Paragraph 4 - Purchase of Land
Paragraph 5 - Direct payment of Legal Fee
Paragraph 6 - Payment of Compensation
Paragraph 7 - Sale of Motor vehicle (Volvo) KAA 567 E

MINUTE NO. 143/99 **ADJOURNMENT**

The Chairman adjourned the meeting at ten minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang', M.P.
Hon. John K. Sambu, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Ali I. Shabaan, M.P.

ABSENT WITH APOLOGY:

Hon. Abubakar M. Badawy, M.P.
Hon. David Kombe, M.P.
Hon. Ochilo Ayacko, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge - Director of Audit
Mr. H. Waciira - Assistant Director of Audit
Mr. G. Mukuah - Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. R. E. Ndubai - Ag. Inspector of State Corporations

MINUTE NO. 144/99 EVIDENCE

The Report and Accounts of Catering Levy Trustees for the year 1995/96 and the certificate thereon by the Auditor-General (Corporations).

Ms Rose Boit, Managing Director of Catering Levy Trustees accompanied by Messrs:- G.M. Nganga, Financial Controller; N.M. Kinyori, Chief Legal Officer; H.S. Mohamed, Senior Assistant Secretary, Ministry of Finance; and P.K. Njagi, Assistant Secretary, Ministry of Tourism; appeared before the Committee and gave evidence on the accounts of the Trustees for the year 1995/96.

MINUTE NO. 145/99 DEFERRED EVIDENCE - PARAGRAPH 1 OF 1995/96 ACCOUNTS - SALE OF PLOT

1. The Committee directed the Chief Executive to submit the following information by Monday 6th September, 1999.

   (i) Copies of the two payment cheques for both the 10% down payment and the balance.

   (ii) A copy of the Sale Agreement for the said plot.

   (iii) Board Minutes that deliberated on the sale of the said plot.

   (iv) The directors of M/s Newman Company Ltd.

   (v) A copy of the Memorandum and Articles of Association for M/s Newman Company Ltd

2. The Committee further directed the following to appear before it at a later date.

   (i) Mr. Lazarus Amayo, former Managing Director.

   (ii) The Registrar of Companies.

MINUTE NO. 146/99 PAPERS LAID

The Chief Executive tabled the following papers during the deliberations.

(i) A copy of the letter from the Office of the President to the then Permanent Secretary, Ministry of Tourism and Wildlife on the proposed Catering Levy Trustees office block.

(ii) A copy of the letter from the then Ministry of Tourism and Wildlife to the Chairman of the Trustees on the proposed office block.

MINUTE NO. 147/99 **DEFERRED EVIDENCE - PARAGRAPH 2 OF 1995/96 ACCOUNTS - OFFICE BLOCK**

1. The Committee directed the following to appear before it at a later date.

   (i) Mrs Agnes Ojany, former Managing Director
   (ii) M/s Mutiso Menezes International Ltd
   (iii) M/s Muambi Associated Ltd
   (iv) M/s Multi Consult Ltd
   (v) M/s Westconsult Ltd

2. The Committee further directed the Auditor-General (Corporations) to verify the adjustments on the uncapitalised fixed assets figure of Kshs.9,327,274.

3. The Committee also directed the Parent Ministry to make a decision on the construction of the Trustee's office block and give a feedback by Friday 17th September, 1999.

MINUTE NO. 148/99 **ADDITIONAL INFORMATION - PARAGRAPH 3 OF 1995/96 ACCOUNT - CLUB MEMBERSHIP**

The Committee directed the Chief Executive to submit copies of all the letters to the Ministry of Tourism on club membership by Monday 6th September, 1999.

MINUTE NO. 149/99 **ADJOURNMENT**

The Chairman adjourned the meeting at twenty minutes past Six O'clock until Friday 3rd September, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **6th September, 1999**

MINUTES OF THE TWENTIETH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 3RD SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. John K. Sambu, M.P.
Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY:

Hon. Abubakar M. Badawy, M.P.
Hon. David Kombe, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Joseph A. Donde, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ochilo Ayacko, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. B.K. Muli	-	Auditor I

INSPECTORATE OF STATE CORPORATIONS

Mr. R. E. Ndubai	-	Ag. Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Deputy Programme Manager
Mr. L.N. Muthiani	-	Assistant Secretary

MINUTE NO. 150/99 **EVIDENCE**

The Report and Accounts of Kenyatta National Hospital for the years 1995/96 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Dr. A.K. Muita, Director of Kenyatta National Hospital

accompanied by Messrs:- G.F. Wekesa, Deputy Director, (Administrative Services); C.J.N. Omondi, Deputy Director, (Clinical Services); G.N. Mwangi, Finance Manager; J.P.M. Chiuri, Personnel and Training Manager; N.G.O. Omambia, Hospital Engineer; and Anne G.W. Njiru, Deputy Secretary, Ministry of Health; appeared before the Committee and gave evidence on the accounts of Kenyatta National Hospital for the years 1995/96 - 1996/97.

MINUTE NO. 151/99 **ADDITIONAL INFORMATION - PARAGRAPH 1 OF 1995/96 ACCOUNTS - ACCURACY OF THE ACCOUNTS**

The Committee directed the Chief Executive to submit the following information by Friday 10th September, 1999.

(i) A detailed breakdown of the prepayments figure of Kshs.50,561,562.00 in respect of goods paid for but not received as stated on Note 4 to the accounts.

(ii) An analysis of the fixed assets purchased during the year under review.

(iii) All correspondence between Kenyatta National Hospital and the World Bank on the Computerisation Project at the Hospital.

MINUTE NO. 152/99 **PAPER LAID**

The Chief Executive tabled the following paper under paragraph 2 of 1995/96 Accounts - Fixed Assets.

A letter from the Commissioner of Lands in respect of land inherited by Kenyatta National Hospital from the Ministry of Health.

MINUTE NO. 153/99 **DEFERRED EVIDENCE - PARAGRAPH 2 OF 1995/96 ACCOUNTS - FIXED ASSETS**

1. The Committee directed the following to appear before it at a later date.

(i) Prof. Julius Meme, former Director.

(ii) Mr. Crispus Mutitu, Chairman of the Task Force Committee.

(iii) Commissioner of Lands.

(iv) Permanent Secretary, Ministry of Lands.

(v) Director of Survey

(vi) Eng. N.G. Omambia, Hospital Engineer

(vii) Director of Physical Planning.

(viii) The private surveyors

2. The Committee further directed as follows:-

(i) The Commissioner of Lands to submit copies of the title deeds for the four (4) allocations around the Upper Hill area and Kenyatta National Hospital.

(ii) The Chief Executive to follow up the acquisition of title documents in respect of land inherited from the Ministry of Health with the Commissioner of Lands and report back to the Committee by 30th November, 1999.

(iii) Mr G.F. Wekesa, Deputy Director to submit the details of the private surveyors who surveyed the said alienated land.

MINUTE NO.154/99 **DEFERRED EVIDENCE - 1996/97 ACCOUNTS**

The Committee deferred taking evidence on the said accounts to a later date.

MINUTE NO.155/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Twelve O'clock until Monday 6th September, 1999 at 2.30 p.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **6th September, 1999**

MINUTES OF THE TWENTY FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON MONDAY 6TH SEPTEMBER, 1999 AT 2.30 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. John K. Sambu, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. J.K. Mukhooli	-	Director of Audit
Mr. E.N. Wambugu	-	Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Programme Manager

MINUTE NO. 156/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the following sittings of the Committee were confirmed by the Members present and sssigned by Chairman as follows:-

(i) The Eighteenth Sitting held on Wednesday 1st September, 1999 were proposed by Hon. Parpai and seconded by Hon. Donde.

(ii) The Nineteenth Sitting held on Thursday 2nd September, 1999 were proposed by Hon. Sang' and

seconded by Hon. Sambu.

(iii) The Twentieth Sitting held on Friday 3rd September, 1999 were proposed by Hon. Sambu and seconded by Hon. Parpai.

MINUTE NO.157/99 **CONSIDERATION OF THE 6TH AND 7TH TREASURY MEMORANDA**

The Committee further discussed at length the issues to be raised with the "Big Five" on the implementation status of both its 6th and 7th Reports.

MINUTE NO.158/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Five O'clock until Tuesday 7th September, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **9th September, 1999**

MINUTES OF THE TWENTY SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON TUESDAY 7TH SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. John K. Sambu, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Joseph A. Donde; M.P.
Hon. Ochilo Ayacko, M.P.
Hon P.K.M. Sang', M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. Sayyid M. Amin, M.P.
Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. H. Waciira	-	Assistant Director of Audit
Mr. C. Amadi	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Deputy Programme Manager

MINUTE NO. 159/99 **EVIDENCE**

The Report and Accounts of National Water Conservation and Pipeline Corporation for the year 1996/97 and the Certificate thereon by the Auditor-General (Corporations).

Dr. D.K. Punyua, Managing Director of National Water Conservation and Pipeline Corporation accompanied by Messrs:- Michael Ochieng, Chief Development Services Manager; Stanley Amuti, Financial Controller; J.V. Shikalo, Ag. Chief Operations Manager; E.S. Kelengwe, Ag. Chief Corporate Services Manager; Mutua Kilaka, Deputy Secretary, Ministry of Environment and Natural Resources; J.M. Karuri, Principal Accounts Controller; and Aggrey Magenya, Assistant Secretary, Ministry of Finance; appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1996/97.

MINUTE NO. 160/99 **ADDITIONAL INFORMATION**

The Committee directed the Chief Executive to submit the following information by Monday 13th September, 1999.

(i) The quantity of water being supplied to the flower farms from Noltress.

(ii) The Water bills and the payment receipts for the flower farms from the inception of the flower project.

(iii) A confirmation on whether or not the water projects that were taken over by the Government were degazetted.

MINUTE NO.161/99 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. P.K.M. Sang', M.P.
Hon. David Kombe, M.P.
Hon. John Sambu, M.P.
Hon. Ali I. Shabaan, M.P.

ABSENT WITH APOLOGY:

Hon. Sayyid M. Amin, M.P.
Hon. Joseph A. Donde, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. H. Waciira	-	Assistant Director of Audit
Mr. C. Amadi	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Deputy Programme Manager

MINUTE NO.162/99 **EVIDENCE**

The Report and Accounts of National Water Conservation and Pipeline Corporation for the year 1996/97 and the certificate thereon by the Auditor-General Corporations).

Dr. P.K. Punyua, Managing Director of National Water Conservation and Pipeline Corporation accompanied by his team re-appeared before the Committee and gave further evidence on the accounts of the Corporation for the year 1996/97.

MINUTE NO. 163/99 **ADDITIONAL INFORMATION - PARAGRAPH 3 OF 1996/97 ACCOUNTS - ACCRUED EXPENSES**

The Committee directed the Chief Executive to submit the following information by Monday 13th September, 1999.

A schedule of penalties to be paid to the respective organisations by the Corporation for unremitted statutory and other deductions.

MINUTE NO. 164/99 **ADDITIONAL INFORMATION - PARAGRAPH 4 OF 1996/97 ACCOUNTS - OTHER DEBTORS**

The Committee directed the Chief Executive to submit a detailed analysis of Kshs.4,397,293 in respect of Suspense Account by Monday 13th September, 1999.

MINUTE NO. 165/99 PAPER LAID

The Chief Executive tabled the following paper during the deliberations of the Committee.

A list of both released and unreleased motor vehicles detailing the registration number, make/type, purchasers, value, disposal price, amount paid and the balance.

MINUTE NO. 166/99 ADDITIONAL INFORMATION - PARAGRAPH 5 OF 1996/97 ACCOUNTS - LAND OWNERSHIP

1. The Committee directed the Chief Executive to submit a schedule of all parcels of land belonging to the Corporation by 30th September, 1999.

2. The Committee further directed the Chief Executive to pursue the acquisition of the title deed for the land where the Headquarters is situated and report back by 15th October, 1999.

MINUTE NO. 167/99 DEFERRED EVIDENCE - PARAGRAPH 6 OF 1996/97 ACCOUNTS - KISERIAN DAM PROJECT

The Committee directed the following to appear before it at a later date in connection with the said paragraph.

(i) Eng. H.K. Rotich, former Managing Director

(ii) Mr. S. Mbova, former Permanent Secretary, Ministry of Water Resources.

MINUTE NO. 168/99 DEFERRED EVIDENCE - 1996/97 ACCOUNTS

The Committee deferred taking evidence as follows:-

(i) Paragraph 7 - Thuku Boreholes
(ii) Paragraph 8 - Nakuru Sewerage Rehabilitation
(iii) Paragraph 9 - Interest on IDA Loans

MINUTE NO. 169/99 ANY OTHER BUSINESS

1. The Committee directed the Inspectorate of State Corporations to submit the details of the salary

package for the Chief Executives of all State Corporations.

2. The Committee further directed the Investment Secretary to submit the details of shareholding for the following companies.

   (i) Kenya Wine Agencies Ltd
   (ii) Kenya Seed Company

MINUTE NO. 170/99 ADJOURNMENT

The Chairman adjourned the meeting at Six O'clock until Wednesday 8th September, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **9th September, 1999**

MINUTES OF THE TWENTY THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON WEDNESDAY 8TH SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon P.K.M. Sang', M.P.
Hon. Ali I. Shabaan, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. Hon. G.M. Parpai, M.P.
Hon. Sayyid Amin, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. R.N. Bichanga	-	Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. R.E. Ndubai	-	Ag. Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	-	Programme Finance Manager
Ms S.W. Kuria	-	Assistant Secretary

MINUTE NO. 171/99 EVIDENCE

The Report and Accounts of Kenya Airports Authority for the year 1994/95 and the Certificate thereon by the Auditor-General (Corporations).

Mr. M.S. Muriithi, Managing Director of Kenya Airports Authority accompanied by Messrs:- Janet Ong'era, Deputy Managing Director/Company Secretary; Joseph Mutua, General Manager; Mukwana Mohammed, General Manager (Engineering Services); Stephen K. Nyamu, Manager (Marketing and Development) and J.F. Angili, Under Secretary/Alternate Director, Office of the President; appeared before the Committee and gave evidence eon the accounts of the Authority for the year 1994/95.

MINUTE NO. 172/99 **PAPERS LAID**

The Chief Executive tabled the following papers during the deliberations of the Committee.

(i) A copy of the letter from the Authority to the Attorney-General on CMCR CASE No.4283/94 in respect of Mr. Patrick Sau Mutemi.

(ii) A copy of the letter from the Attorney-General to the Director of Criminal Investigation regarding the said case.

(iii) A copy of the letter from National Bank of Kenya to the Authority on the terms of the staff car loan scheme and upward variation of interest from 12% to 30%.

MINUTE NO. 173/99 **ADDITIONAL INFORMATION - PARAGRAPH 1 OF 1994/95 ACCOUNTS - ACCURACY OF THE ACCOUNTS**

1. The Committee directed the Chief Executive to submit the following information to the Auditor-General (Corporations) by Wednesday 15th September, 1999 for verification.

   (i) All the documents related to the investigation by the police on the misappropriated amount totalling Kshs.6 million.

   (ii) All documentary evidence in support of the unexplained difference of Kshs.14,179,498 between the debit and credit balances.

2. The Committee further resolved to raise the matter involving Mr. Mutemi and Mr. Njunge with the "Big Five".

MINUTE NO. 174/99 **DEFERRED EVIDENCE - PARAGRAPH 2 OF 1994/95 ACCOUNTS - CASH AND BANK BALANCES**

The Committee directed the Chief Executive to reconcile the cash and bank balances and submit the details of reconciliations together with supporting documents to the Auditor-General (Corporations) by Wednesday 15th September, 1999 for verification.

MINUTE NO.175/99 **ADDITIONAL EVIDENCE - PARAGRAPH 3 OF 1994/95 ACCOUNTS - REVENUE**

The Committee resolved to raise the issue of harmonisation of the Authority's Act (Cap.395) and the Air Passenger Service Act (Cap. 475) with the "Big Five".

MINUTE NO.176/99 **ADDITIONAL INFORMATION - PARAGRAPH 4 OF 1994/95 ACCOUNTS - CAR LOAN DEPOSITS**

1. The Committee directed the Chief Executive to submit a copy of the amended car loan scheme agreement to the Auditor-General (Corporations) for verification.

2. The Committee further directed the Chief Executive to submit the details of the actual loss to the Authority as a result of depositing Kshs.5 million interest free by Wednesday 15th September, 1999.

MINUTE NO.177/99 **ADDITIONAL INFORMATION**

The Committee directed the Chief Executive to submit the following information to the Inspector of State Corporations by 30th September, 1999.

1. A schedule of investments of surplus funds over the past five (5) years detailing the following:-

   - Amount and institutions invested.
   - Level of authority to invest.
   - Terms of investment and actual realized returns.
   - Current status of such investments.
   - The Curriculum Vitae of the Authority's

senior management staff.

2. Tendering and procurement of goods and services transacted in the past five (5) years detailing the following:-

   - Sums involved, beneficiaries and methods employed in dispensing the contracts.

   - Disposals and procurement of major assets.

   - Leases & rentals including beneficiaries and methods of apportionment.

3. Details of trade debtors and creditors including ageing, irrecoverable debts written off and beneficiaries.

4. Details regarding the transfer of assets from the Aerodromes Department to the Authority.

5. Details of the land inherited from the Aerodromes Department indicating the original acreage transferred to the Authority and the current acreage.

6. Specific details on debt owed to the Authority by Kenya Pipeline Company.

7. The terms and conditions of service for employees of the Authority prior to and after the exemption of the Authority from State Corporations Act (Cap.446).

8. The current status of the imprest held by the staff members.

9. Details of the acreage of land to be compulsorily acquired for the expansion of Malindi Airport and the names of the original allottees.

10. Write-up on the consideration being taken by the Authority to built an airstrip to serve Kisii and South Nyanza region.

MINUTE NO.178/99 **DEFERRED EVIDENCE - PARAGRAPH 5 OF 1994/95 ACCOUNTS - OUTSTANDING LOAN LIABILITY**

The Committee directed the Chief Executive to submit the following information by Wednesday 15th September, 1999.

(i) Details of the rehabilitation work contracted out and firms awarded.

(ii) A feasibility study done on the rehabilitation project.

MINUTE NO.179/99 **DEFERRED EVIDENCE - 1994/95 ACCOUNTS**

The Committee deferred taking evidence as follows:-

Paragraph 6 - Rehabilitation Contract

Paragraph 7 - Agreement between the Government and the House of Perfume.

Paragraph 8 - Fixed Assets

Paragraph 9 - Taxable Allowance

MINUTE NO.180/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Twelve O'clock until this afternoon at 2:30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Joseph A. Donde, M.P.
Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ochilo Ayacko, M.P.

ABSENT WITH APOLOGY:

Hon. G.M. Parpai, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. E.H. Gikonyo	-	Deputy Director of Audit
Mr. G.O. Osaho	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng	-	Deputy Inspector of State Corporations

MINUTE NO. 181/99 EVIDENCE

KENYA BROADCASTING CORPORATION

Mr. S.M. Anabwani, Managing Director of Kenya Broadcasting Corporation accompanied by Messrs:- Praxedes Otieno, Accounts Controller; B.M. Ikonze, Credit Controller; W.I. Ikapel, Corporation Secretary; K. Maritim, Editor-in-Chief; and D.K. Kibera, Deputy Secretary, Ministry of Information, Transport and Communications; appeared before the Committee and gave evidence on the operations of the Corporation.

MINUTE NO. 182/99 ADDITIONAL INFORMATION - SUBMISSION OF AUDITED ACCOUNTS

1. The Committee directed both the Chief Executive and the Parent Ministry to ensure that all the audited accounts of the Corporation for the years 1993/94 - 1996/97 are submitted to Parliament for tabling when the House reconvenes in October, 1999.

2. The Committee further directed that Mr. Philip Okundi, former Managing Director, should appear before it at a later date to explain why the said accounts were not submitted to Parliament for tabling as required by law.

MINUTE NO.183/99 ADDITIONAL INFORMATION - REPORTING AND AIR TIME APPORTIONMENT

The Committee resolved to raise the issue of balanced reporting and fair apportionment of air time with the "Big Five".

MINUTE NO.184/99 **ADDITIONAL INFORMATION - TRANSMITTER AT TIMBOROA TV STATION**

The Committee directed the Chief Executive to submit the following information by Wednesday, 15th September, 1999.

(i) Directors of M/s Kenya Auto-electricals Ltd.

(ii) A write-up on the operations of the Corporation, constraints facing it and proposals on how to address the same.

MINUTE NO.185/99 **ADJOURNMENT**

The Chairman adjourned the meeting at 6.20 p.m. until Thursday 9th September, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **9th September, 1999**

MINUTES OF THE TWENTY FOURTH SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON THURSDAY 9TH SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon P.K.M. Sang', M.P.
Hon. Ali I. Shabaan, M.P.
Hon. David Kombe, M.P.
Hon. Hon. G.M. Parpai, M.P.

ABSENT WITH APOLOGY:

Hon. Sayyid Amin, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. J.M. Mukhooli	-	Deputy Director of Audit
Mr. F.J. Mwasella	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. R.E. Ndubai	-	Ag. Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	-	Programme Finance Manager
Ms S.W. Kuria	-	Executive Officer

MINUTE NO.186/99 CONFIRMATION OF THE MINUTES

The Minutes of the following sittings of the Committee were confirmed by the Members present and signed by the

Chairman as follows:-

(i) The Twenty First sitting held on Monday 6th September, 1999 were proposed by Hon. Ayacko and seconded by Hon. Sambu.

(ii) The Twenty Second sitting held on Tuesday 7th September, 1999 were proposed by Hon. Kombe and seconded by Hon. Badawy.

(iii) The Twenty Third sitting held on Wednesday 8th September, 1999 were proposed by Hon. Badawy and seconded by Hon. Sang'.

MINUTE NO.187/99 **EVIDENCE**

The Report and Accounts of coffee Board of Kenya for the years 1993/94 - 1995/96 and the certificate thereon by the Auditor-General (Corporations).

Mr. A.O. Murunga, General Manager of Coffee Board of Kenya accompanied by Messrs:- M.H. Ngutu, Deputy General Manager; J.N. Kiragu, Financial Controller; J.M. Wagu, Deputy Financial Controller; and F.E. Mwango, Deputy Secretary, Ministry of Agriculture; appeared before the Committee and gave evidence on the accounts of the Board for the years 1993/94 - 1995/96.

MINUTE NO.188/99 **DEFERRED EVIDENCE - PARAGRAPH 1 OF 1993/94 ACCOUNTS - PERFORMANCE**

1. The Committee directed the Chief Executive to submit the following information by Friday 17th September, 1999.

   (i) Documentary evidence in support of the deposit of Kshs.164 million in the Kenya Commercial Bank.

   (ii) Evidence in support of payment of the said amount as rebates to planters.

   (iii) A detailed write-up on the transactions involving the said amount from 1994 to 1998.

2. The Committee further directed that the Chairman of the proposed Coffee Farmers Bank should appear

before it at a later date in connection with the said deposit.

MINUTE NO.189/99 **DEFERRED EVIDENCE - PARAGRAPH 4 OF 1993/94 ACCOUNTS - PROVISION FOR BAD AND DOUBTFUL DEBTS**

1. The Committee directed the Chief Executive to submit the following information by Friday 17th September, 1999.

   (i) The legal fee paid to M/s Mereka & Co. Advocates for the Civil Suit No.1517 of 1991 and No.2564 of 1992 regarding the advances of Kshs.10 million to Gatirima/Karatini Estate.

   (ii) Evidence in support of the court order to refund the said estate its coffee dues recovered by the Board against the advances.

   (iii) A report on why the said two civil suit cases have not been concluded.

   (iv) Details of the legal fees paid to firms of lawyers in 1998 one of which is associated with a Member of Parliament.

   (v) A detailed brief on legal fees paid and lawyers involved in the case alluded to in the Board's letter Ref.ADM/2/40C of 23rd September, 1986 to the Chief Secretary, Office of the President.

   (vi) Write-up detailing the indigenous Coffee Auctioneers, their operations and quantities of coffee bulks they receive.

2. The Committee further directed the following to appear before it at a later date.

   (i) former General Manager

   (ii) The Board's lawyer handling the civil suit against the farmer on the advances of Kshs.10 million.

MINUTE NO.190/99 **PAPERS LAID**

The Chief Executive tabled the following papers during the deliberation of the Committee.

(i) A copy of the letter Ref. OP/276/013 Vol.1/30 from the then Chief Secretary, Secretary to the Cabinet and Head of Public Service to the Board on the advance payment to Mr & Mrs Mbugua.

(ii) A copy of the letter from the Board responding to the said letter.

(iii) A copy of the letter from the Board to M/s Mereka & Co. Advocates regarding the Civil Suit No.1517 against Gatirima/Karatini Estate.

MINUTE NO.191/99 **DEFERRED EVIDENCE - 1994/95 - 1995/96 ACCOUNTS**

The Committee deferred taking evidence on the said accounts to a later date.

MINUTE NO.192/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. David Kombe, M.P.
Hon. Hon. G.M. Parpai, M.P.

ABSENT WITH APOLOGY:

Hon. Sayyid Amin, M.P.
Hon P.K.M. Sang', M.P.
Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. J.M. Mukhooli	-	Deputy Director of Audit
Mr. B.K. Mulli	-	Auditor I

INSPECTORATE OF STATE CORPORATIONS

Mr. R.E. Ndubai	-	Ag. Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	-	Programme Finance Manager
Mr. R.O. Onyuna	-	Senior Economist

MINUTE NO.193/99 **EVIDENCE**

The Report and Accounts of Kenya Medical Research Institute for the year 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Dr. Davy Koech, Director of Kenya Medical Research Institute accompanied by Messrs:- D.M. Ngumo, Deputy Director (Administration & Finance); R.A. Kirui, Chief Finance Officer; and Amb. P.K. Mathanjuki, Deputy Secretary, Ministry of Research and Technology; appeared before the committee and gave evidence on the accounts of the Institute for the year 1996/97.

MINUTE NO.194/99 **PAPERS LAID**

1. The Chief Executive tabled the following papers during the deliberations of the Committee.

   (i) A copy of the Letter of Allotment for the unsurveyed Institute's plot along Langata Road.

   (ii) A copy of the title deed for the parcel of land where the Institute's Headquarters is located.

(ii) A copy of the Part Development Plan from the Ministry of Lands & Settlement for the proposed re-organisation of A.I.C. Church and the Institute plots.

2. Mr. Z.E.N. Achira, Programme Finance Manager, Treasury (DGIPE) tabled a copy of the Inter-Ministerial Committee report on the Institute's Staff Housing Project.

MINUTE NO.195/99 **DEFERRED EVIDENCE - PARAGRAPH 2 OF 1996/97 ACCOUNTS - STAFF HOUSING PROJECT**

The Committee deferred taking evidence on the said paragraph to a later date to enable it consider the resolutions of the Inter-Ministerial Committee report on the said housing project.

MINUTE NO.196/99 **DEFERRED EVIDENCE**

Paragraph 3 - Abandoned project
Paragraph 4 - National Hospital Insurance Stamps

MINUTE NO. 197/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Five O'clock until Friday 10th September, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**
CHAIRMAN

DATE: **14th September, 1999**

MINUTES OF THE TWENTY FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 10TH SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Peter K. Kaindi, M.P. **(Ag. Chairman)**
Hon. John K. Sambu, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. Mwangi Githiomi, M.P.
Hon. Sayyid Amin, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Hon. G.M. Parpai, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge - Director of Audit
Mr. Hiram Wachira - Assistant Director of Audit
Mr. S.W. Ochieng' - Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi - Principal Assistant Inspector

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa - Deputy Secretary
Mr. L.N. Muthiani - Assistant Secretary

MINUTE NO. 198/99 EVIDENCE

The Report and Accounts of Kenya Agricultural Research Institute for the year 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Dr. C.G. Nderitu, Director of Kenya Agricultural Research

Institute accompanied by Messrs:- Mr. R.L. Ole Odupoy, Deputy Director, Mr. J.M. Witindaba, Chief Accountant; and Amb. P.K. Mathanjuki, Deputy Secretary appeared; before the Committee and gave evidence on the accounts of Kenya Agricultural Research Institute for the year 1996/97.

MINUTE NO.199/99 **ADDITIONAL INFORMATION - PARAGRAPH 1 OF 1996/97 ACCOUNTS - FINANCIAL POSITION**

The Committee directed the Chief Executive to submit a copy of the budget prepared by the Institute for the year under review and forwarded through the Parent Ministry to Treasury for approval.

MINUTE NO.200/99 **DEFERRED EVIDENCE - PARAGRAPH 2 OF 1996/97 ACCOUNTS - LAND AND BUILDINGS -OWNERSHIP**

The Committee directed that the Commissioner of Lands should appear before it at a later date to explain the delay in revoking the irregular land allocations made in Kitale National Research Centre.

MINUTE NO.201/99 **PAPERS LAID**

The Chief Executive tabled a list of Letters of Allotment on Registered Land and five copies of title deeds for some of the Institute's parcels of land.

MINUTE NO.202/99 **MATTERS TO BE RAISED WITH THE "BIG FIVE"**

The Committee resolved that the following matters be raised with the "Big Five" when they appear:-

(i) Delay in revocation of the irregular land allocations in Kitale National Research Centre.

(ii) Under release of funds to Research Institutes' to meet their statutory obligations.

MINUTE NO.203/99 **ADJOURNMENT**

The Ag.Chairman adjourned the meeting at fifteen minutes past Eleven O'clock until Monday 13th September, at 2.30 p.m.

Hon. Mwangi Githiomi, M.P.

SIGNED: _____

CHAIRMAN

DATE: **17th September, 1999**

MINUTES OF THE TWENTY SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON MONDAY 13TH SEPTEMBER, 1999 AT 2.30 P.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. David Kombo, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Sayyid Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang', M.P.
Hon. Ali I. Shabaan, M.P.
Hon. John Sambu, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. J.K. Mukhooli - Deputy Director of Audit

MINUTE NO. 204/99 **EXAMINATION OF ADDITIONAL INFORMATION SUBMITTED**

The Committee examined the additional information submitted by the following State Corporations.

1. Agricultural Finance Corporation
2. South Nyanza Sugar Company
3. Kenya Ports Authority
4. National Oil Corporation of Kenya
5. National Cereals & Produce Board
6. Kenya Posts & Telecommunications Corporation
7. Teachers Service Commission
8. National Social Security Fund
9. Kenya Forestry Research Institute (KEFRI)
10. National Housing Corporation
11. Catering Levy Trustees
12. Kerio Valley Development Authority
13. Kenya Wildlife Service

MINUTE NO.205/99 UNSUPPLIED ADDITIONAL INFORMATION

The Committee noted that the following additional information had not been submitted.

1. **Agriculture Finance Corporation**

MIN.NO.26/99 (ii)
MIN.NO.27/99 (i), (iv)
MIN.NO.31/99 (i), (iii), (iv)
MIN.NO.32/99 (i)- Investment Secretary to provide.

2. **Kenya Posts & Telecommunications Corporation**

MIN. NO.87/99 (2) - Auditor-General (Corporations to verify).

MIN.NO.91/99 (2) (i)
MIN.NO.92/99 (2) (i)
MIN.NO.94/99 (iii)

3. **KEFRI**

MIN.NO.110/99 (i)

4. **Kenya Wildlife Service**

MIN.NO. 123/99

5. **National Social Security Fund**

MIN.NO.134/99 (i) - National Assembly to write to the Registrar of Companies.

MIN.NO. 134/99 (iii) b

6. **Kenya Tea Development Authority**

MIN.NO. 53/99
MIN.NO. 54/99
MIN.NO. 55/99

7. **National Cereals & Produce Board**

MIN.NO. 76/99
MIN.NO. 78/99 (iv)

8. **National Housing Corporations**

MIN.NO. 97/99 - Investments Secretary

9. **Catering Levy Trustees**

MIN.NO. 145/99 (iv) (v)
MIN.NO. 147/99 (2) - Auditor-General (Corporations) to verify.
MIN.147/99 (3)

MINUTE NO.206/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Six O'clock until Tuesday 14th September, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **17th September, 1999**

MINUTES OF THE TWENTY SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON TUESDAY 14TH SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. David Kombe, M.P.
Hon. Sayyid Amin, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. G.M. Parpai, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang', M.P.
Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. C.N. Nanyuki	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng'	-	Deputy Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist

MINUTE NO. 207/99 **MATTERS ARISING**

Under Minute No. 195/99, the Committee resolved as follows:-

(1) The Chief Executive to submit a copy of the Registration Certificate and the Articles and Memorandum of understanding of M/s Sololo Outlets Ltd.

(2) The Committee had directed that the Treasury should not proceed with further action on the housing project. However, the attention of the Committee was drawn to the fact that the Treasury was acting on the Committee's Eighth Report recommendations.

Consequently, the Committee directed the Treasury to submit a progress report on the action taken.

MINUTE NO.208/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the Twenty Fourth sittings of the Committee held on Thursday 9th September, 1999 were confirmed by the Members present and signed by the Chairman. Proposed by Hon. Badawy, M.P. and seconded by Hon. Kombe, M.P.

MINUTE NO.209/99 **EVIDENCE**

The Report and Accounts of Muhoroni Sugar Company for the years 1993/94 - 1995/96 and the certificate thereon by the Auditor-General (Corporations).

Mr. Fredrick Oketch Jonam, Managing Director, Muhoroni Sugar Company accompanied by Messrs:- W.B. Nyundo, Financial Controller; C.B.O. Ombogo, Chief Accountant; Fred Mwango, Deputy Secretary, Ministry of Agriculture; appeared before the Committee and gave evidence on the accounts of the Company for the years 1993/94 - 1995/96.

MINUTE NO.210/99 **DEFERRED EVIDENCE - 1993/94 - 1995/96 ACCOUNTS**

The Committee deferred taking evidence on the said accounts and directed that the following should appear before it at a later date.

(i) Chief Executive(s) of the Company during the years under review.

(ii) Chairman of the Board

(iii) Managing Director, Kenya Sugar Authority

(iv) Permanent Secretary, Ministry of Agriculture

(v) Permanent Secretary, Ministry of Finance & Planning

(vi) Investments Secretary, Treasury

MINUTE NO.211/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Twelve O'Clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. David Kombe, M.P.
Hon. Sayyid Amin, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. S.A.M. Kitungu	-	Principal Economist

MINUTE NO. 212/99 **EVIDENCE**

KENYA POWER & LIGHTING COMPANY LTD AND

KENGEN.

Mr. S.K. Gichuru, Managing Director of Kenya Power and Lighting Company Ltd accompanied by Messrs:- Z. Ayieko, Chief Manager (Finance); D. Mwangi, Corporate Planning Manager; S. Muthiora, Chief Planning Officer; L. Yego, Chief Accountant; E. Wassuna, Managing Director, KenGen; L. Kariuki, Chief Manager (Corporate Planning and Project Development); K. Metta, Deputy Secretary, Ministry of Energy; appeared before the Committee and gave evidence on the current status the assets of both the Companies in view of their split.

MINUTE NO.213/99 **ADDITIONAL INFORMATION - STATUS OF ASSETS OF KENYA POWER & LIGHTING COMPANY AND KENGEN**

1. The Committee directed both the Chief Executives to submit the following information by Friday 24th September, 1999.

   (i) A comprehensive inventory of assets belonging to both KPLC & Kengen detailing those on loans.

   (ii) Feasibility studies done on the development of hydro-electric power projects on Nyando, Nzoia and Yala rivers.

   (iii) A copy of the National Power Development Master Plan for the next 20 years.

2. The Committee further directed that Mr. Paul Chemweno, former Managing Director of Kerio Valley Development authority should appear before it at a later date in connection with the valuation of Turkwel Gorge Project at a cost of Kshs.45 million.

MINUTE NO.214/99 **ADDITIONAL INFORMATION - FUNCTIONS OF KPLC & KENGEN VIS-A-VIS THE PRIVATE PLAYERS**

1. The Committee directed the Parent Ministry to submit the following information by Friday 20th September, 1999.

   (i) A detailed write-up on the role of the independent power producers in the electric

sub-sector and the procedures for licensing private players.

(ii) A copy of the feasibility study on Westmont Power (Kenya) Ltd submitted to the Parent Ministry and the approval on the same by the Ministry.

2. The Committee further directed the Managing Director of Kenya Power & Lighting Company (KPLC) to submit the following information by the same date.

(i) A copy of the Annual Report and Accounts of Iberafrica Power (Kenya) Ltd.

(ii) The amount of money invested by KPLC in the said company in respect of the staff pension funds.

(iii) The actual amount paid by KPLC to Iberafrica Power (Kenya) Ltd per month for power and the basis for calculation.

(iv) The amount remitted by KPLC to the Government in respect of Rural Electrification Scheme.

MINUTE NO.215/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Six O'clock until Wednesday 15th September, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **17th September, 1999**

MINUTES OF THE TWENTY EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON WEDNESDAY 15TH SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. David Kombe, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. Sayyid Amin, M.P.
Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. F.J. Mwasella	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. D.A. Ongati	-	Senior Accountant

MINUTE NO. 216/99 **EVIDENCE**

The Report and Accounts of Nyayo Tea Zones Development Corporation for years 1993/94 - 1994/95.

Mr. J.A. Sang', Managing Director of Nyayo Tea Zones Development Corporation accompanied by Messrs:- D.

Mawa, Chief Accountant; and D. Obwaya, Senior Internal Auditor; appeared before the Committee to give evidence on the accounts of the Corporation for the years 1993/94 - 1994/95.

MINUTE NO.217/99 **DEFERRED EVIDENCE - 1993/94 - 1994/95 ACCOUNTS**

The Chief Executive informed the Committee that the Corporation was to meet with the World Bank Mission currently in the country and therefore requested to be rescheduled to a later date.

The Committee acceded to the request and deferred taking evidence on the said accounts to a later date.

MINUTE NO.218/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Ten O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Abubakar M. Badawy, M.P.
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.
Hon. Ali I. Shaaban, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Ag. Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit
Mr. P.K. Mwasya	-	Deputy Director of Audit

Mr. J.J. Ng'an'ga - Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng' - Deputy Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. D.A. Ongati - Senior Accountant

MINUTE NO. 219/99 **EVIDENCE**

AGRICULTURAL DEVELOPMENT CORPORATION

Mr. Job K. Siror, Managing Director of Agricultural Development Corporation accompanied by Messrs:- Janet Olanga, Financial Controller; W.M. Deche, Deputy Chief Economist, Office of the President; and Ngethe Mbugua, Deputy Secretary, Ministry of Agricultural and Rural Development; appeared before the Committee and gave evidence on the Corporation's assets and investment.

MINUTE NO.220/99 **ADDITIONAL INFORMATION**

The committee directed the Chief Executive to submit the following information by Friday 24th September, 1999.

(i) A copy of the Computer Service Level Agreement between the Corporation and the service providers.

(ii) A comprehensive report on the land and buildings disposed off by the Corporation from 1989 to-date detailing the following:-

- Date disposed
- Location
- Acreage
- Beneficiaries
- Realised returns

MINUTE NO.221/99 **EVIDENCE NOT RECORDED VERBATIM**

The Committee resolved not to record evidence regarding the allocation of the Corporations parcels of land to private individuals and squatters verbatim.

The Committee further resolved that future directives to the Corporation for land allocation should be in writing together with the list of beneficiaries.

MINUTE NO.222/99 **ADJOURNMENT**

The Chairman adjourned the meeting at forty five minutes past Five O'clock until Thursday 16th September, 1999 at 9.00

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **17th September, 1999**

MINUTES OF THE TWENTY NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON THURSDAY 16TH SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. David Kombe, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. Sayyid Amin, M.P.
Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. E.H. Gikonyo	-	Deputy Director of Audit

INSPECTORATE OF STATE CORPORATIONS

Mr. R.E. Ndubai	-	Ag. Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. T. Khakame	-	Chief Accountant
Mr. King'ori	-	Assistant Secretary

MINUTE NO. 223/99 **EVIDENCE**

KENYA WINE AGENCIES LTD

Mr. P.K. Chemng'orem, Managing Director of Kenya Wine Agencies Ltd accompanied by Messrs:- J.N. Ndung'u Deputy Managing Director and M. W. Ngari, Deputy Secretary,

Ministry of Tourism, Trade and Industry; appeared before the Committee and gave evidence on the progress of the envisaged privatisation of the company.

MINUTE NO.224/99 **SUBMISSION OF THE AUDITED ACCOUNTS - 1988/89 - 1992/93**

The Committee noted with concern that the Annual Reports and Accounts of the Company for the years 1988/89 - 1992/93 had not been submitted to Parliament in accordance with the law.

Consequently, the Committee directed both the Chief Executive and the parent Ministry to ensure that the said accounts are submitted to Parliament for tabling as soon as the House reconvenes in October.

MINUTE NO.225/99 **ADDITIONAL INFORMATION - ASSETS**

The Committee directed the Chief Executive to submit a comprehensive report on the Company's fixed assets detailing the following by Friday 24th September, 1999

- Location.
- Valuations.
- Cost of constructing the buildings.
- Purchasers of the assets disposed off.

MINUTE NO.226/99 **ADDITIONAL INFORMATION - TITLE DEED YATTA**

The Committee directed the Chief Executive to pursue the issuance of title deed for the parcel of land in Yatta and give a feedback by 15th October, 1999.

MINUTE NO.227/99 **PAPER LAID**

The Chief Executive tabled a list detailing the financial institutions, interest rates, and the amount invested therein by the company during the deliberations of the Committee.

MINUTE NO.228/99 **ADDITIONAL INFORMATION INVESTMENT OF SURPLUS FUNDS**

The Committee directed the Chief Executive to submit the following information by Friday 24th September, 1999.

(i) Specific dates of investments in the financial institutions.

(ii) Justification for investment of Kshs.50 million in Barclays Bank of Kenya and Kshs.40.7 million in NIC Bank at interest rates of 10% and 10.5 % respectively as opposed to investing the same in Treasury Bills/Bonds.

MINUTE NO.229/99 **ADDITIONAL EVIDENCE**

The Committee resolved to raise the issue of uncustomed goods competing with taxed goods in the market with the "Big Five".

MINUTE NO.230/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty Minutes past Twelve O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Abubakar M. Badawy, M.P.
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.
Hon. Ali I. Shaaban, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Sayyid Amin, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang', M.P.
Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. E.N. Gikonyo	-	Deputy Director of Audit

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi - Principal Assistant Inspector

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna - Economist
Ms S.W. Kuria - Executive officer

MINUTE NO.231/99 EVIDENCE

KENYA SEED COMPANY

Mr. Nathaniel K. Arap Tum, Managing Director of Kenya Seed Company accompanied by Messrs:- James K. Fondo, Chief Accountant; Zakayo K. Cheruiyot, Company Secretary; J.O. Ndeda, Head of planning department; K. Mbugua, Deputy Financial Controller; and Rephael A. Alagama, Deputy Secretary, Office of the President; appeared before the Committee and gave evidence on Company's assets and seed production.

MINUTE NO.232/99 SUBMISSION OF ACCOUNTS FOR THE YEAR 1993/94

The Committee directed both the Chief Executive and the parent Ministry to ensure that the audited accounts of the company for year 1993/94 are submitted to parliament for tabling as soon as the House reconvenes in October.

MINUTE NO.233/99 ADDITIONAL INFORMATION - SHARES

The Committee directed the Chief Executive to submit the following information to the Auditor General (Corporations) by Friday 24th September, 1999 for verification.

(i) A copy of the Company's Memorandum and Articles of Association.

(ii) Original share holding at the time of the incorporation of the Company in 1956 and how the shares have since changed hands.

(iii) Documentary evidence in support of the purchase of shares worth Kshs.419,131.00 by the Managing Director from a British national.

MINUTE NO.234/99 ADDITIONAL INFORMATION - VEHICLES

The Committee directed the Chief Executive to submit the following information by Friday 24th September, 1999.

(i) The price at which the company acquired the Range Rover Reg. No.KRR 872.

(ii) The internal valuations for all the vehicles the company has disposed off.

MINUTE NO.235/99 **ADDITIONAL INFORMATION - SEED PRODUCTION**

The Committee directed the Chief Executive to submit the following information by Friday 24th September, 1999.

(i) A list detailing the members of staff who have been contracted to produce seed and the acreage for seed production for the last ten (10) years.

(ii) Instances of rejection of seed produced and supplied by the members of staff and payments to staff for all the seed supplied during the last ten years.

MINUTE NO.236/99 **ADJOURNMENT**

The Chairman adjourned the meeting at fifteen minutes past Six O'clock until Friday 17th September, 1999 at 9.00

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **21st September, 1999**

MINUTES OF THE THIRTIETH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 17TH SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid Amin, M.P.
Hon. G.M. Parpai, M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

MINUTE NO. 237/99 **CONFIRMATION OF THE MINUTES**

The minutes of the previous sittings of the Committee were confirmed by the Members present and signed by the Chairman as follows:-

(i) The Twenty Fifth sitting held on Friday 10th September, 1999 were proposed by Hon. Donde and second and seconded by Hon. Sambu.

(ii) The Twenty Sixth sitting held on Monday 13th September, 1999 were proposed by Hon. Donde and seconded by Hon. Kaindi.

(iii) The Twenty Seventh sitting held on Tuesday 14th September 1999 were proposed by Hon. Donde and seconded by Hon. Kaindi.

(iv) The Twenty Eighth sitting held on Wednesday 15th September, 1999 were proposed by Hon. Badawy and seconded by Hon. Amin.

MINUTE NO. 238/99 **EXAMINATION OF ADDITIONAL INFORMATION SUBMITTED**

The Committee examined the additional information submitted by the following State Corporations:-

1. Kenyatta National Hospital

2. National Water Conservation and Pipeline Corporation

3. Kenya Agricultural Research Institute

MINUTE NO. 239/99 **UNSUPPLIED ADDITIONAL INFORMATION**

The Committee noted that the following information had not been submitted.

1. **National Water Conservation and Pipeline Corporation**

   Minute No. 160/99
   Minute No. 163/99
   Minute No. 164/99
   Minute No. 166/99

2. **Kenya Airports Authority**

   Minute No. 173/99
   Minute No. 174/99
   Minute No. 176/99
   Minute No. 177/99
   Minute No. 178/99

3. **Kenya Broadcasting Corporation**

   Minute No. 185/99

4. **Coffee Board of Kenya**

   Minute No. 189/99
   Minute No. 190/99 (iv, vi)

5. **Kenya Agricultural Research Institute**

   Minute No. 200/99

6. **Kenya Medical Research Institute**

MINUTE NO. 240/99 **ANY OTHER BUSINESS**

The Committee stressed the need to observe punctuality in order to expedite the business of the Committee.

MINUTE NO.241/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Eleven O'clock until Tuesday 21st September, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **21st September, 1999**

MINUTES OF THE THIRTY FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON TUESDAY 21ST SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.
Hon. Ali I. Shabaan, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Ag. Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. R. Bichanga	-	Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. John Kithete	-	Senior Economist

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.C. Mwangi	-	Deputy Programme Manager
Ms B.W. Gathirwa	-	Accounts Controller

MINUTE NO. 242/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the previous sittings of the Committee were confirmed by the Members present and signed by the

Chairman as follows:-

(i) The Twenty Ninth sitting held on Thursday 16th September, 1999 were proposed by Hon. Badawy and seconded by Hon. Amin.

(ii) The Thirtieth sitting held on Friday 17th September, 1999 were proposed by Hon. Badawy and seconded by Hon. Donde.

MINUTE NO. 243/99 **EVIDENCE**

The Report and Accounts of Export Processing Zone Authority for the years 1992/93 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. Samuel K. Bundotich, Managing Director of Export Processing Zone Authority accompanied by Messrs:- Margaret W. Waithaka, Investments Manager; Asha N. Bachoo, Finance Manager; Robert J. Kigunda, Senior Manager (Operations); Dorcas Munge, Ag. Corporate Secretary; and I.O. Nyaribo, Under Secretary, Ministry of Tourism, Trade and Industry; appeared before the Committee and gave evidence on the accounts of the Authority for the years 1992/93 - 1996/97.

MINUTE NO.244/99 **DEFERRED EVIDENCE - PARAGRAPH 1 OF 1993/994 ACCOUNTS - FIXED ASSETS**

1. The Committee directed the Chief Executive to submit the following information to the Auditor-General (Corporations) by Friday 24th September, 1999.

   (i) A breakdown of Kshs.22,176,000 in respect of the 3 parcels of land acquired vide Gazette Notice No. 2802 of 13th July, 1999.

   (ii) Copies of correspondence and payment cheques in respect of the said parcels of land.

   (iii) The vendors of the said parcels of land and the directors of M/s Lukenya Land Buying Company Ltd.

   (iv) Contract agreements for the contract Nos. FN/001 - FN/004 and documentary evidence

in support of remission of the World Bank Components.

2. The Committee further directed that the following appear before it at a later date:-

   (i) The then Permanent Secretary, Ministry of Finance who dealt with the contracts Nos. FN/001 - FN/004.

   (ii) Permanent Secretary, Ministry of Finance and Planning.

   (iii) Contractors and consulting engineers who implemented the said contracts.

3. The Committee resolved to inspect the Authority's Processing Zones in Athi River.

MINUTE NO. 245/99 PAPER LAID

The Chief Executive tabled a copy of the letter from Ministry of Finance to the Authority on the transfer of fixed assets.

MINUTE NO.246/99 ADDITIONAL INFORMATION - PARAGRAPH 1 OF 1995/96 ACCOUNTS - FIXED ASSETS

1. The Committee directed the Chief Executive to submit the following information by Friday 24th September, 1999.

   (i) A copy of the original Letter of Allotment, Sketch Map and Deed Plan for the parcel of land in Kipevu (Mombasa).

   (ii) A comprehensive report on the designated zones countrywide detailing the following:-

      (a) Enterprises housed in the zones, Directors of the same and personnel employed by the enterprises since inception.

      (b) Foreign Exchange brought in and taken out of the country by the enterprises.

      (c) Confirmation of whether the operators

of the enterprises in Export Processing Zones also have other manufacturing concerns in the country.

(iii) An explanation on the reduced acreage of the portion of land measuring 17 hectares at Kipevu.

2. The Committee further directed the Chief Executive to liaise with the Managing Director of Kenya Ports Authority with a view to deciding on the prudent way to handle the said parcel of land and report back by 21st November, 1999.

MINUTE NO.247/99 DEFERRED EVIDENCE

(i) 1995/96 Accounts
Paragraph 3 - Personnel Allowances

(ii) 1996/97 Accounts

MINUTE NO.248/99 ADJOURNMENT

The Chairman adjourned the meeting at thirty minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: NATIONAL ASSEMBLY

Mr. M. R. Sialai - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. Hiram Wachira	-	Assistant Director of Audit
Mr. C.Y. Amadi	-	Principal Auditor
Mr. R. Bichanga	-	Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng	-	Deputy Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	- Deputy Secretary
Ms S.W. Kuria	- Assistant Secretary

MINUTE NO. 249/99 EVIDENCE

The Report and Accounts of Kenya Sugar Authority and Sugar Development Fund for the years 1993/94 - 1995/96 and the certificate thereon by the Auditor-General (Corporations).

Mr. Francis M. Chahonyo, Managing Director of Kenya Sugar Authority accompanied by Messrs:- Austine V. Amulyoto, Head of Finance; James G. Chege, Management Accountant; Patrick K. Rotich, Deputy Secretary, Ministry of Agriculture; appeared before the Committee and gave evidence on the accounts of the Authority and the Fund for the years 1993/94 - 1995/96.

MINUTE NO.250/99 ADDITIONAL INFORMATION - TECHNICAL MANAGEMENT OF NZOIA SUGAR COMPANY

1. The Committee directed the Chief Executive to submit the following by Friday 24th September, 1999.

   (i) A copy of the report by the Authority to the Government recommending the engagement of M/s F.C. Shaffer & Associates for Technical Management in Nzoia Sugar Company.

   (ii) A copy of the Minutes that deliberated on the said recommendations.

   (iii) The consultancy firms that did the financial

and technical evaluation of the bidding companies for Technical Management of Nzoia Sugar Company.

(iv) Copies of the financial and technical evaluation reports by the said consultancy firms.

2. The Committee further directed the Chief Executive to evaluate the performance of the Technical Management Team in Nzoia Sugar Company with a view to advising the Government to terminate the management contract and report back by 30th November, 1999.

MINUTE NO.251/99 **ADDITIONAL INFORMATION - FUNDING OF THE SUGAR SECTOR**

The Committee directed the Chief Executive to submit the following information to the Auditor-General (Corporations) by Friday 24th September, 1999.

(i) Financial assistance by the Authority to the Sugar companies for expansion during the last ten years.

(ii) Advances and loans extended to the Outgrowers Sugar Companies by the Authority during the said period.

(iii) The mode of disbursements of loans and advances by the Authority to the Sugar Companies and Outgrowers Sugar Companies.

MINUTE NO.252/99 **PAPERS LAID**

The Chief Executive tabled the following papers during the deliberations of the Committee.

(i) A copy of the Technical Management Agreement between Nzoia Sugar Company and M/s F.C. Shaffer & Associates.

(ii) Details of Suppliers of Muhoroni Sugar Company as at 25th May, 1998.

(iii) Loan applications from Muhoroni Sugar Company to the Authority for maintenance from 1997.

MINUTE NO.253/99 **ADDITIONAL IFNORMATION - REHABILITATION OF MUHORONI SUGAR COMPANY**

The Committee directed the Chief Executive to submit the following information by Friday 24th September, 1999.

(i) Copies of the Board Minutes that deliberated on rehabilitation of Muhoroni Sugar Company and authorised the payment of Kshs.300 million for the same.

(ii) The firms that tendered for the rehabilitation of the said Sugar Company.

(iii) Directors of the Company which was awarded the rehabilitation contract.

(iv) Copies of the Board Minutes from the time the Chief Executive (Mr. Chahonyo) took over to-date.

MINUTE NO.254/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Six O'clock until Wednesday 22nd September, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **29th September, 1999**

MINUTES OF THE THIRTY SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON WEDNESDAY 22ND SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. John K. Sambu, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. Peter K. Kaindi, M.P.
Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. B.K. Mulli	-	Auditor I

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng'	-	Deputy Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Deputy Programme Manager
Mr. D.A. Ongati	-	Senior Accountant

MINUTE NO.255/99 **EVIDENCE**

NATIONAL HOSPITAL INSURANCE FUND

Mr. J.P.K. Matui, Managing Director of National Hospital

Insurance Fund accompanied by Messrs:- W.K.A. Mosonik, Computer Manager; S.R.K. Wambugu, Chief Accountant; N.K. Kaimoi, Supplies Officer; and Lucy Rono, Legal Officer; appeared before the Committee and gave evidence on the assets of the Fund.

MINUTE NO.256/99 **ADDITIONAL INFORMATION - ASSETS**

The Committee directed the Chief Executive to submit the following information by Monday 27th September, 1999.

(a) The acreage of the following 4 plots:-
LR.No.209/11140
LR.No.209/5846
LR.No.209/11248
LR.No.209/12987

(b) Valuations done on the said plots by the Commissioners of Lands.

(c) A copy of the letter from the then Chief Executive to the Parent Ministry seeking authority for the acquisition of the said plots and the approval from the Parent Ministry on the same.

(d) Sale Agreements between the Fund and the vendors of the said plots.

(e) Directors of the Companies which sold the said plots to the Fund.

(f) Board Minutes that deliberated on the acquisition of the said plots.

(g) Copies of the payment cheques in respect of the said plots.

(h) Statements from the Banks where the money was withdrawn to pay for the said plots.

(i) A confirmation whether the Fund has banked any money in Trust Bank Ltd.

(j) Hospital bed occupancy registered with the Fund countrywide.

MINUTE NO.257/99 **ADDITIONAL EVIDENCE - ASSETS**

The Committee directed that the following appear before it at a later date in connection with the purchase of the plots.

(i) Mr. P.K.A. Langat, former Managing Director

(ii) M/s K. Mwaura & Co. Advocates who acted on behalf of the Fund.

(iii) The Lawyers who acted on behalf of the vendors.

(iv) Registrar of Companies

MINUTE NO.258/99 PAPER LAID

The Chief Executive tabled the following paper during the deliberations of the Committee.

A list detailing both performing and non-performing banks/financial institutions where the Corporation has deposited surplus funds from 1984 to-date.

MINUTE NO.259/99 ADDITIONAL INFORMATION - INVESTMENT IN BANKS AND FINANCIAL INSTITUTIONS

1. The Committee directed the Chief Executive to submit the following information by Wednesday 29th September, 1999.

   (i) Details of the former Managing Directors of the Corporation during the period when the Corporation deposited funds in the non-performing banks/financial institutions.

   (ii) The last renewal date in respect of each deposit in the non-performing banks/financial institutions.

   (iii) The amount paid to the contractor by the Fund in respect of storage costs.

   (iv) Copies of both the original and amended building plans for the proposed headquarters.

   (v) All the tender documents in respect of the proposed headquarters.

2. The Committee further directed the Treasury to instruct all the State Corporations to withdraw their

deposits in unstable banks/financial institutions and give a progress report by 30th November, 1999.

MINUTE NO.260/99 ADJOURNMENT

The Chairman adjourned the meeting at fifteen minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ali I. Shabaan, M.P.

ABSENT WITH APOLOGY:

Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Joseph A. Donde, M.P.
Hon. David Kombe, M.P.
Hon. Sayyid Amin, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. H. Wachira	-	Assistant Director of Audit
Mr. C. Amandi	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. J.N. Kithete	-	Senior Economist

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. T.G. Mwangi	-	Deputy Programme Manager
Mr. D.A. Ongati	-	Senior Accountant

MINUTE NO.261/99 EVIDENCE

The Report and Accounts of National Irrigation Board for the year 1994/95 and the certificate thereon by the Auditor-General (Corporations).

The Report and Accounts of Mwea Rice Mills Ltd for the years 1993/94 - 1994/95 and the certificate thereon by the Auditor-General (Corporations).

Mr. P.F. Muema, General Manager of National Irrigation Board accompanied by Messrs:- S.M. Gitonga, Deputy General Manager (Administration); S.N. Mwanika, Finance Manager; J.K. Mwangi, Senior Accountant; F.N. Mungai, Legal Officer; and C.K.R. Njeru, Deputy Secretary, Ministry of Agriculture; appeared before the Committee and gave evidence on the accounts of the Board for the year 1993/94 and Mwea Rice Mills Ltd for the years 1993/94 - 1994/95.

MINUTE NO.262/99 **ADDITIONAL INFORMATION - NATIONAL IRRIGATION BOARD - 1994/95 ACCOUNTS**

The Committee directed the Chief Executive to submit the following information by 30th September, 1999.

(i) A detailed breakdown of the expenditure of Kshs.546,075.40 in respect of Travelling and Entertainment.

(ii) Academic and professional qualifications of the Board's staff in Finance and Accounts department.

MINUTE NO.263/99 **DEFERRED EVIDENCE - MWEA RICE MILLS LTD 1993/94 - 1994/95 ACCOUNTS**

The Committee deferred taking evidence on the said accounts to a later date.

MINUTE NO.264/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Five O'clock until Thursday 23rd September, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **23rd September, 1999**

MINUTES OF THE THIRTY THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON THURSDAY 23RD SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. John K. Sambu, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ali I. Shabaan, M.P.

ABSENT WITH APOLOGY:

Hon. Peter K. Kaindi, M.P.
Hon. David Kombe, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. H.O. Wanyama	-	Deputy Director of Audit

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Deputy Programme Manager
Mr. R.O. Onyuna	-	Senior Economist

MINUTE NO.265/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the Thirty Second sitting of the Committee held on Wednesday 22nd September, 1999 were confirmed by the Members present and signed by the Chairman.

Proposed by Hon. Parpai and seconded by Hon. Badawy.

MINUTE NO.266/99 **MATTERS ARISING**

1. **Under Minute No.257/99,** the Committee resolved that the following should appear before it together with the management of the National Hospital Insurance Fund.

   (i) Mr. Patrick Kilel, former Managing Director of the Fund.

   (ii) The Chairman of the Fund.

2. **Under Minute No.259/99 (2).**

   (i) The Committee directed the Treasury to ensure that all the State Corporations comply with its Circular No. 10 of 1992 regarding the investment of surplus funds.

   (ii) The Committee directed the Chief Executive to give a progress report on the recovery of Kshs.754,750,000.00 held in non-performing banks/financial institutions.

MINUTE NO.267/99 **EVIDENCE**

The Report and Accounts of Kenya Dairy Board for the years 1993/94 - 1994/95 and the certificate thereon by the Auditor-General (Corporations).

Mr. B.S. Lenaronkoito, Managing Director of Kenya Dairy Board accompanied by Messrs:- J.N. Makhapila, Technical Services Manager; E. Konchellah, Finance Manager; W. Njoroge, Senior Dairy Development Officer; B.K. Mbella, Accountant I; A.E.O. Chabeda, Deputy Director; J.P. Cheruiyot, Assistant Director; and J.M. Muhoro, Under Secretary, Ministry of Agriculture; appeared before the Committee and gave evidence on the accounts of the Board for the years 1993/94 - 1994/95.

MINUTE NO.268/99 **ADDITIONAL INFORMATION - OWNERSHIP OF KENYA COOPERATIVE CREAMERIES (KCC)**

1. The Committee directed the Parent Ministry to submit a comprehensive report detailing the following by 30th October, 1999.

(i) Share holding and nominal share value in Kenya Cooperative Creameries (KCC) Ltd.

(ii) When K.C.C. last declared dividends to its shareholders.

(iii) How the government intends to treat the assets and liabilities of K.C.C.

2. The Committee further directed the Chief Executive to submit the Dairy Industry Master Plan report by 30th September, 1999.

MINUTE NO.269/99 **ADDITIONAL INFORMATION - REMISSION OF CESS BY K.C.C. TO THE BOARD**

The Committee directed the Parent Ministry to give a feedback on the specific action taken to review the rate of cess and the directive stopping K.C.C. from remitting cess to the Board by 23rd October, 1999.

MINUTE NO.270/99 **PAPER LAID**

2 8

The Chief Executive tabled the following paper during the deliberations of the Committee.

A copy of the letter from the Ministry of Agriculture to the Board conveying the Government decision on abolition of cess on fresh milk.

MINUTE NO.271/99 **ADDITIONAL INFORMATION - PARAGRAPH 5 OF 1993/94 ACCOUNTS - DEBTORS AND PREPAYMENTS**

1. The Committee directed the Chief Executive to submit the following information by 30th September, 1999.

(i) A detailed analysis of the amount recovered from Kshs.252,000.00 in respect of fuel deposits.

(ii) A detailed analysis of the fuel debtors indicating the petrol stations/dealers, when the amounts owed were advanced, who authorised the advances, and collusion if any, of the staff members with the petrol dealers.

2. The Committee further directed the Chief Executive to pursue the recovery of Kshs.20,000.00 due from a former Chairman of the Board and give a progress report by 30th November, 1999.

MINUTE NO.272/99 **ADDITIONAL INFORMATION - PARAGRAPH 6 OF 1993/94 ACCOUNTS - LANDS & BUILDINGS**

1. The Committee directed the Chief Executive to submit the following information by 30th September, 1999.

   (i) Bill of Quantities and the approved building plans for the proposed Board's offices.

   (ii) Tendering procedure, tender documents and the cost of construction of the proposed offices.

MINUTE NO.273/99 **ADDITIONAL INFORMATION - PARAGRAPH 4.3 - PREMIUMS**

The Committee directed the Chief Executive to submit the following information by 30th September, 1999.

Documentary evidence in support of Kshs.305,636 paid to an agent in respect of premiums payable to Kenya National Assurance Company in 1993/94.

MINUTE NO.274/99 **ADDITIONAL INFORMATION - PARAGRAPH 6 OF 1994/95 ACCOUNTS - STAFF PENSION FUND**

The Committee directed the Chief Executive to submit a detailed write-up on how the Board intends to invest Kshs.2,249,322 being withheld by the Board in respect of Staff pension fund by 22nd November, 1999.

MINUTE NO.275/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.

Hon. Joseph A. Donde, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Sayyid Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ali I. Shabaan, M.P.

ABSENT WITH APOLOGY:

Hon. Ochilo Ayacko, M.P.
Hon. David Kombe

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit
Mr. E.H. Gikonyo - Deputy Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira - Programme Finance Manager

MINUTE NO.276/99 **EVIDENCE**

INDUSTRIAL & COMMERCIAL DEVELOPMENT CORPORATION (ICDC)

Mr. K.K. Bett, Executive Director of Industrial and Commercial Development Corporation accompanied by Messrs:- William Shimanyula, Operations Manager; G. Njuguna, Loans Manager; I.B. Mogaka, Corporation Secretary, John Musila, Director of Industries, Ministry of Tourism, Trade and Industry; and R.O. Oiselu, Accounts Controller; appeared before the Committee and gave evidence on Assets and Liabilities of the Corporation.

MINUTE NO.277/99 **PAPERS LAID**

The Chief Executive tabled the following papers during the deliberations of the Committee.

(i) An analysis of the loans advanced by the Corporation to individuals and companies from 1994/95 to-date detailing following:-

- Financial year advanced, number of applicants and amount disbursed.

- Cumulative receipts, arrears, recovery rate and default rate as at 31st August, 1999.

(ii) A detailed analysis of the status of loan accounts for 49 prominent/defaulting personalities as at August, 1999.

MINUTE NO.278/99 **ADDITIONAL INFORMATION - LOANS**

The Committee directed the Chief Executive to submit the following information by 30th September, 1999.

(i) Names of loanees (Directorship of Companies), the amount due, valuations and securities provided for all the loans advanced by 30th September, 1999.

(ii) Details of the collapsed projects for which loans were advanced on the basis of professional feasibility studies and valuations done by the Corporation in-house.

(iii) Documentary evidence in support of legal action taken in respect of each default case.

(iv) A detailed write-up on how the Management intends to recover the non-performing loans.

MINUTE NO.279/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Five O'clock until Friday 24th September, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **29th September, 1999**

MINUTES OF THE THIRTY FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 24TH SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. John K. Sambu, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Peter K. Kaindi, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Sayyid Amin, M.P.

ABSENT WITH APOLOGY:

Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. E.H. Gikonyo	-	Deputy Director of Audit
Mr. G.O. Osaho	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist
Mr. L.N. Muthiani	-	Assistant Secretary

MINUTE NO.280/99 **EVIDENCE**

The Report and Accounts of Kenya Industrial Estates Ltd for the year 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. B.N. Kikuvi, Managing Director of Kenya Industrial Estates accompanied by Messrs:- C.N. Orare, General Manager (Finance & Administration); J.A. Chepkwony, Finance Manager; R.A. Ochanda, Company Secretary; and

John Masila, Director Industries, Ministry of Tourism, Trade and Industry; appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1996/97.

MINUTE NO.281/99 **ADDITIONAL INFORMATION - PARAGRAPH 1 OF 1996/97 ACCOUNTS - FINANCIAL POSITION**

1. The Committee directed that the following information be submitted by 30th September, 1999.

   (i) The Treasury to explain in writing why an amount of Kshs.134.1 million approved in the Development Estimates was not disbursed to Kenya Industrial Estates.

   (ii) The Chief Executive to submit a detailed list of non-performing loans.

2. The Committee further directed the Chief Executive to communicate the Board's decision on the change of format of presentation of the accounts to conform with the International Accounting Standards by 30th October, 1999.

3. The Committee also directed the Chief Executive to implement the restructuring of the Company's balance sheet without further delay and give a progress report by 31st December, 1999.

MINUTE NO.282/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Eleven O'clock until Monday 27th September, 1999 at 2.30 p.m.

SIGNED: **Hon. G. M. Parpai, M.P.**

AG. CHAIRMAN

DATE: **25th October, 1999**

MINUTES OF THE THIRTY FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON MONDAY 27TH SEPTEMBER, 1999 AT 2.30 P.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. John K. Sambu, M.P.
Hon. Sayyid Amin, M.P.
Hon. Peter K. Kaindi, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna - Senior Economist

MINUTE NO.283/99 **CONSIDERATION OF THE REVISED SITTING PROGRAMME FOR OCTOBER/NOVEMBER 1999**

The Committee considered the State Corporations to be included in the revised sitting programme commencing on Friday 8th October to Monday 29th November, 1999.

MINUTE NO.284/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Five O'clock until Tuesday 28th September, 1999 at 9.00 a.m.

SIGNED: Hon. G.M. Parpai, M.P.

AG. CHAIRMAN

DATE: 25th October, 1999

MINUTES OF THE THIRTY SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON TUESDAY 28TH SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.
Hon. John K. Sambu, M.P.
Hon. Sayyid Amin, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit
Mr. E.H. Gikonyo - Deputy Director of Audit
Mr. N.K. Omanwa - Senior Auditor

INSPECTORATE OF STATE CORPORATION

Mr. E.M. Ngigi - Principal Assistant Inspector

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna - Senior Economist
Mr. Kubai Khasiani - Under Secretary

MINUTE NO.285/99 **EVIDENCE**

The Report and Accounts of Kenyatta University for the years 1991/92 - 1994/95 and the certificate thereon by the Auditor-General (Corporations).

Prof. G.S. Eshiwani, Vice Chancellor of Kenyatta University accompanied by Messrs:- Prof. M.K. Koech, Deputy Vice Chancellor; K.W. Simiyu, Chief Accountant; R.K. Okeyo,

Senior Accountant; J. Gitahi, Senior Accountant; J. Musyoka, Accountant; C.K. Thuku, Assistant Director of Education, Ministry of Education, Science and Technology; and J.K. Mugambi, Senior Assistant Secretary (Finance); appeared before the Committee and gave evidence on the accounts of the University for the years 1991/92 1994/95.

MINUTE NO.286/99 **DEFERRED EVIDENCE - PARAGRAPH 2 OF 1991/92 ACCOUNTS - CONTRACTS**

1. The Committee directed the Chief Executive to submit the following information by Friday 8th October, 1999.

   An analysis of each project detailing the tender sum, contractor involved and justification for the upward variations of the contract sums.

2. The Committee further directed that the following should appear before it at a later date.

   (i) The University's Quantity Surveyor

   (ii) The Contractors who were awarded the contracts stated in the said paragraph.

MINUTE NO.287/99 **PAPERS LAID**

The Chief Executive tabled the following papers during the deliberations of the Committee.

(i) A copy of the Minutes of the 16th Council's meeting that deliberated on contracts variations.

(ii) A list of twenty (20) staff members who resigned from Finance Department.

MINUTE NO.288/99 **DEFERRED EVIDENCE - PARAGRAPH 4 OF 1991/92 ACCOUNTS - DEBTORS**

1. The Committee directed the Chief Executive to submit a detailed analysis of debtors together with supporting documents to the Auditor-General (Corporations) for verification by Friday 8th October, 1999.

2. The Committee further directed the Parent Ministry to verify an amount of Kshs.9,945,665.60 allegedly owed to the University in respect of Capital Development.

MINUTE NO.289/99 **DEFERRED EVIDENCE - PARAGRAPH 5 OF 1991/92 - ACCOUNTS - CREDITORS**

The Committee directed both Chief Executive and the Parent Ministry to reconcile the outstanding creditors amount of K£ 60,907 and submit the details to the Auditor-General (Corporations) by 15th October, 1999 for verification.

MINUTE NO.290/99 **DEFERRED EVIDENCE - PARAGRAPH 6 OF 1991/92 ACCOUNTS - IRREGULAR EXPENDITURE**

1. The Committee directed the Chief Executive to submit the following information by Friday 15th October, 1999.

   (i) A copy of the log book in respect of the vehicle bought by Dr. J. Otieno.

   (ii) A comprehensive write-up on irregular payments detailing the persons involved in the fraudulent encashment of cheques at National Bank of Kenya, Cheque numbers, amounts involved and action taken.

2. The Committee further directed the following to appear before it at a later date.

   (i) Prof. E.K. Maritim, former Deputy Vice Chancellor (Finance, Planning and Development) in connection with the car loan advanced to Dr. J. Otieno.

   (ii) The Registrar of Motor Vehicles in connection with the said car.

MINUTE NO.291/99 **DEFERRED EVIDENCE - 1992/93 - 1994/95 - ACCOUNTS**

The Committee deferred taking evidence on the said accounts to a later date.

MINUTE NO.292/99 **ADJOURNMENT**

The Chairman adjourned the meeting at fifteen minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John K. Sambu, M.P.
Hon. P.K.M. Sang', M.P.
Hon. G.M. Parpai, M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.
Hon. Sayyid Amin, M.P.
Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit
Mr. E.H. Gikonyo - Deputy Director of Audit
Mr. N.K. Omanwa - Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna - Senior Economist
Mr. Kubai Khasiani - Under Secretary

MINUTE NO.293/99 **EVIDENCE**

The Report and Accounts Kenyatta University Students Accommodation Board (USAB) for the year 1988/89 and the certificate thereon by the Auditor-General (Corporations).

Prof. G.S. Eshiwani, Vice Chancellor of Kenyatta University accompanied by Messrs:- Prof. M.K. Koech, Deputy Vice

Chancellor; K.W. Simiyu, Chief Accountant; R.K. Okeyo, Senior Accountant; J. Gitahi, Senior Accountant; J. Musyoka, Accountant; Anyula, Accountant; C.K. Thuku, Assistant Director of Education; Ministry of Education, Science and Technology; and J.K. Mugambi, Senior Assistant Secretary; appeared before the Committee and gave evidence on the accounts of Kenyatta University (USAB) for the year 1988/89.

MINUTE NO.294/99 **DEFERRED EVIDENCE - PARAGRAPH 2 OF 1988/89 ACCOUNTS - CONSTRUCTION CONTRACTS**

The Committee directed that Mr. R.M. Mbato, the then General Manager of USAB appear before it at a later date with the management.

MINUTE NO.295/99 **ADDITIONAL INFORMATION - PARAGRAPH 3 OF 1988/89 ACCOUNTS - CAPITAL WORK IN PROGRESS**

The Committee directed the Chief Executive to reconcile an amount of K£ 557,101 in respect of capital work in progress and submit the details of the reconciliation to the Auditor-General (Corporations) by Friday 15th October, 1999 for verification.

MINUTE N0.296/99 **ADDITIONAL INFORMATION PARAGRAPHS 4 (CREDITORS AND ACCRUALS) AND 5 (DEBTORS AND PREPAYMENTS)**

The Committee directed the Auditor-General (Corporations) to verify the analyses submitted by the Chief Executive in respect of Creditors and Debtors and report back by Friday 15th October, 1999.

MINUTE NO.297/99 **ADDITIONAL INFORMATION - PARAGRAPH 6 OF 1988/89 ACCOUNTS - STOCKS**

The Committee directed the Chief Executive to verify the Balance Sheet stocks figure of K£ 137,756 from M/s Keah & Co. and M/s Waithaka Kiarie & Co. and submit the details to the Auditor-General (Corporations) by Friday 15th October, 1999 for verification.

MINUTE NO.298/99 **DEFERRED EVIDENCE - PARAGRAPH 7 OF 1988/89 ACCOUNTS - BANK OVERDRAFT AND CASH IN HAND**

The Committee directed the Chief Executive to submit documentary evidence in support of the Balance Sheet Bank Overdraft figure of K£ 114,129 by Friday 15th October, 1999.

MINUTE NO.299/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Five O'clock until Wednesday 29th September, 1999 at 9.00 a.m.

SIGNED: **Hon. G.M. Parpai, M.P.**

AG. CHAIRMAN

DATE: **25th October, 1999**

MINUTES OF THE THIRTY SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON WEDNESDAY 29TH SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.
Hon. John K. Sambu, M.P.
Hon. Sayyid Amin, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY:

Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. E.H. Gikonyo	-	Deputy Director of Audit
Mr. N.K. Omanwa	-	Senior Auditor

INSPECTORATE OF STATE CORPORATION

Mr. R.E. Ndubai	-	Ag. Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Deputy Programme Manager

MINUTE NO.300/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the previous sittings of the Committee were confirmed by the Members present and signed the the Chairman as follows:-

(i) The Thirty First sitting held on Tuesday 21st September, 1999 were proposed by Hon. Kaindi and seconded by Hon. Kombe.

(ii) The Thirty Third sitting held on Thursday 23rd September, 1999 were proposed by Hon. Sang and seconded by Hon. Amin.

MINUTE NO.301/99 **EVIDENCE**

The Report and Accounts of Higher Education Loans Fund for the years 1992/93 - 1994/95 and the certificate thereon by the Auditor-General (Corporations).

Prof. Chacha N. Chacha, Secretary of Higher Education Loans Board accompanied by Messrs:- B.C. Cheboi, Deputy Board Secretary; Kepha Oyaro, Finance Manager; Benardette Masinde, Legal Officer; L.W. Njeru, Assistant Director, Ministry of Education Science and Technology; and J.K. Mugambi, Senior Assistant Secretary; appeared before the Committee and gave evidence on teh accounts of the Fund for the years 1992/93 - 1994/95.

MINUTE NO.302/99 **DEFERRED EVIDENCE - PARAGRAPH 1 OF 1992/93 ACCOUNTS - LATE SUBMISSION OF ACCOUNTS**

The Committee deferred taking evidence on the said paragraph and directed that the Permanent Secretary, Ministry of Education appear before it at a later date.

MINUTE NO.303/99 **ADDITIONAL INFORMATION - PARAGRAPH 2 OF 1992/93 ACCOUNTS - ADVANCES/DEBTORS**

The Committee directed the Chief Executive to submit the following informaton by Friday 8th October, 1999.

A schedule of loanees detailing the names, district, university and the amount advanced from 1995/96 to-date.

MINUTE NO.304/99 **PAPERS LAID**

The Chief Executive tabled the following papers during the deliberations of the Committee.

(i) An analysis of the loans disbursed by the Board per district from 1995/96 to 1999/2000.

(ii) Details of Short Term Deposits totalling Kshs.704,000.00 invested in Cereals and Sugar Finance Corporation.

MINUTE NO.305/99 **ADDITIONAL INFORMATION - PARAGRAPH 3 OF 1992/93 ACCOUNTS - BANK BALANCE**

The Committee directed the Parent Ministry to reconcile the Board's Bank balance figure of Kshs.928,031 with the Ministry's Deposit Cash Book and submit the details of reconciliation to the Auditor-General (Corporations) by 15th October, 1999 for verification.

MINUTE NO.306/99 **ADDITIONAL INFORMATION - PARAGRAPH 4 OF 1992/93 ACCOUNTS - SUSPENSE ACCOUNT**

The Committee directed both the Chief Executive and the Parent Ministry to reconcile the suspense figure of Kshs.71,226 and submit the details of the reconciliation to the Auditor-General (Corporations) by 15th October, 1999 for verification.

MINUTE NO.307/99 **ADDITIONAL INFORMATION - PARAGRAPH 5 OF 1992/93 ACCOUNTS - DEPOSIT**

The Committee directed the Parent Ministry to submit the following information by 15th October, 1999.

(i) A detailed write-up on the circumstances under which Kshs.700,000.00 was invested in Cereals and Sugar Finance Corporation contrary to the Treasury Circulars.

(ii) A progress report on the recovery of the said amount from the Corporation.

MINUTE NO.308/99 **DEFERRED EVIDENCE - 1993/94 - 1994/95 ACCOUNTS**

The Committee deferred taking evidence on the said accounts to a later date.

MINUTE NO.309/99 **ADJOURNMENT**

The Chairman adjourned the meeting at fifteen minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. John Sambu, M.P.
Hon. Joseph Donde, M.P.
Hon. Sayyid Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang, M.P.

ABSENT WITH APOLOGY:

Hon. Ali I. Shabaan, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. David Kombe, M.P.
Hon. Peter K. Kaindi, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. A. Denge	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary
Mr. F.W. King'ori	-	Assistant Secretary

MINUTE NO.310/99 **EVIDENCE**

The Report and Accounts of Rural Electrification Scheme for the years 1990/91 - 1992/93 and the certificate thereon by the Auditor-General (Corporations).

Mr. F. Gathungu Meta, Deputy Secretary, Ministry of Energy accompanied by Z. Ayieko, Chief Manager (Finance), Kenya Power & Lighting Company; Rosemary Gitonga, Chief Manager (Rural Electrification); Charles Choge, Rural Electrification Manager; and L. Yego, Chief Accountant; appeared before the Committee to give evidence on the accounts of Rural Electrification Scheme for the years 1990/91 - 1992/93.

MINUTE NO.311/99 **DEFERRED EVIDENCE - RURAL ELECTRIFICATION SCHEME 1990/91 - 1992/93 ACCOUNTS**

The Committee was informed that the Permanent Secretary, Ministry of Energy was unable to appear before it because he was appearing before the Public Accounts Committee.

The Committee was further informed that the Managing Director of Kenya Power & Lighting was unable to appear before it because he was engaged in a State function.

Consequently, the Committee deferred taking evidence on the said accounts to a later date.

MINUTE NO.312/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Four O'Clock until Thursday 30th September, 1999 at 9.00 a.m.

SIGNED: **Hon. G.M. Parpai, M.P.**

AG. CHAIRMAN

DATE: **25th October, 1999**

MINUTES OF THE THIRTY EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON THURSDAY 30TH SEPTEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.
Hon. Sayyid Amin, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. J.K. Koech	-	Senior Auditor

INSPECTORATE OF STATE CORPORATION

Mr. E.M. Ngigi	-	Principal Assistant Inspector

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist

MINUTE NO.313/99 **EVIDENCE**

The Report and Accounts of Kenya National Trading Corporation for the year 1994/95 and the certificate thereon by the Auditor-General (Corporations).

Eng. H.K.A. Rotich, Managing Director of Kenya National Trading Corporation accompanied by Messrs:- M.K. Kolum, Personnel Manager; L.W. Kimilu, Sales/Marketing Manager; E.M. Mukhebi, Audit Manager; M. Mubea, Marketing

Research Manager; Lucy Wanjohi, Company Secretary; and Mary Kinyany, Director of Internal Trade, Ministry of Tourism, Trade and Industry; appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1994/95.

MINUTE NO.314/99 **DEFERRED EVIDENCE - PARAGRAPH 1 OF 1994/95 ACCOUNTS - GOING CONCERN**

The Committee directed that the following appear before it at a later date in connection with the procurement of stocks through letters of credit.

(i) Mr. D.K. Tirop, former Managing Director.

(ii) Directors of both M/s TRANSAGRO (K) LTD and M/s KENYA TRADE COMBINE LTD.

MINUTE NO.315/99 **PAPERS LAID**

The Chief Executive tabled the following papers during the deliberations of the Committee:-

1. A list of Directors of both M/s TRANSAGRO (K) LTD and KENYA TRADE COMBINE LTD.

2. A copy of the Civil Suit No.153 of 1999 filed by the Corporation regarding the transfer of plot LR.No.209/8539.

3. A schedule of 37 debtors who have been sued by the Corporation for non payment of debts owed it.

MINUTE NO.316/99 **ADDITIONAL INFORMATION - PARAGRAPH 2 OF 1994/95 ACCOUNTS - FIXED ASSETS**

1. The Committee directed the Chief Executive to submit a comprehensive report detailing the following by 15th October, 1999.

   (i) How the Corporation's plot near the Central Bank of Kenya was exchanged with a plot along Loita Street, Nairobi.

   (ii) Board Minutes that authorised the exchange of the said plots and valuations done at the time of the exchange.

(iii) Justification for enjoining Mr. Erick Kotut, former Managing Director and not Mrs Grace Adera, former Company Secretary in the Civil Suit case No.153 of 1999 regarding the fraudulent transfer of plot LR No.209/8539.

2. The Committee further directed that the Commissioner of Lands appear before it at a later date in connection with the non-renewal of the lease for the plot in Karatina (Block/1/71).

MINUTE NO.317/99 **ADDITIONAL INFORMATION - FIXED ASSETS (MUTHAIGA PLOT)**

1. The Committee directed the Chief Executive to submit the following information regarding the said plot by 15th October, 1999.

   (i) Valuation report

   (ii) Tender documents indicating mode of disposal.

   (iii) Directors of M/s Crown Trading Ltd.

2. The Committee further directed the Chief Executive to submit a schedule of plots belonging to the Corporation indicating those with and without title documents by the same date.

3. The Committee also directed the Chief Executive to submit a detailed write-up on the undeveloped plot in Maragua town currently being used as motor repair garage.

MINUTE NO.318/99 **DEFERRED EVIDENCE - PARAGRAPH 3 OF 1994/95 ACCOUNTS - DEBTORS**

The Committee directed the Chief Executive to submit the following information by 15th October, 1999.

A schedule of both Government and private debtors detailing the following:-

(i) Date and nature of goods supplied on credit.
(ii) Schedule of bounced cheques issued.
(iii) Copies of both delivery and goods receipt notes.
(iv) All relevant correspondence and documents of credit.

(v) Status of cases filed in Court.
(vi) Cases not filed in Court due to lack of evidence.
(vii) A schedule of former staff members who owes the Corporation Kshs.231,427.00 and the amount recoverable from the said amount.

MINUTE NO.319/99 **DEFERRED EVIDENCE - 1994/95 ACCOUNTS**

Paragraph 4 - Extra Ordinary Item
Paragraph 5 - Operations of the Corporations

The Committee deferred taking evidence on the said paragraphs to a later date.

MINUTE NO.320/99 **ADJOURNMENT**

The Chairman adjourned the meeting at twenty minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY:

Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. E.H. Gikonyo	-	Assistant Director of Audit
Mr. G.O. Osaho	-	Senior Auditor
Mr. B.K. Mulli	-	Auditor I

INSPECTORATE OF STATE CORPORATION

Mr. R.E. Ndubai -Ag. Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna - Senior Economist

MINUTE NO.321/99 **EVIDENCE**

The Report and Accounts of Coffee Research Foundation for the year 1994/95 and the certificate thereon by the Auditor-General (Corporations).

Dr. P.K. Muchori, Director of Coffee Research Foundation accompanied by Messrs:- S.D. Gatua, Ag. Chief Accountant/Company Secretary; and D.K. Wainaina, Accountant; appeared before the Committee and gave evidence on the accounts of the Foundation for the year 1994/95.

MINUTE NO.322/99 **EVIDENCE**

The Report and Accounts of Ewaso Ng'iro North Development Authority for the year 1995/96 and the certificate thereon by the Auditor-General (Corporations).

Mr. R.M. Kimotho, Ag. Managing Director of Ewaso Ng'iro North Development Authority accompanied by Messrs: Hassan Wako Wario, Senior Administrative Officer; Philip Gichuki, Senior Water Engineer; Hersi Bante, Internal Auditor; K.J. Machuguma, Chief Accountant; and W.A. Onono, Deputy Secretary, Ministry of Agriculture and Rural Development; appeared before the Committee and gave evidence on the accounts of the Authority for the year 1995/96.

MINUTE NO.323/99 **APPOINTMENT OF THE SUBSTANTIVE MANAGING DIRECTOR OF THE AUTHORITY**

The Committee directed the Parent Ministry to follow-up the appointment of a substantive Managing Director of the Authority with the Office of the President as matter of urgency.

MINUTE NO.324/99 **ADDITIONAL EVIDENCE - REPORT BY THE INSPECTORATE OF STATE CORPORATIONS**

The Committee directed that the following appear before it at a later date:

(i) Permanent Secretary, Ministry of Agriculture and Rural Development.

(ii) Mr. Shadrack Jirma Hidi, immediate former Managing Director.

MINUTE NO.325/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Five O'clock until Friday 1st October, 1999 at 9.00 a.m.

SIGNED: **Hon. G.M. Parpai, M.P.**

AG. CHAIRMAN

DATE: **25th October, 1999**

MINUTES OF THE THIRTY NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 1ST OCTOBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.
Hon. Sayyid Amin, M.P.
Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang'

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit
Mr. C. Amadi - Senior Auditor

INSPECTORATE OF STATE CORPORATION

Mr. R.E. Ndubai - Ag. Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr.S.A.M. Kitungu - Principal Economist

MINUTE NO.326/99 **EVIDENCE**

The Report and Accounts of Kenya Meat Commission for the years 1988/89 - 1989/90 and the certificate thereon by Auditor-General (Corporations).

Andrew Gregory, Receiver/Manager of Kenya Meat Commission accompanied by Messrs: Julius Musyoki, Company Secretary; and A.M. Gakere, Deputy Secretary, Ministry of Agriculture and Rural Development; appeared

before the Committee and gave evidence on the accounts of Kenya Meat Commission.

MINUTE NO.327/99 **ADDITIONAL EVIDENCE - REVITALISATION OF KENYA MEAT COMMISSION**

The Committee directed that the following appear before it at a later date:-

(i) Head of the Public Service and Secretary to the Cabinet.

(ii) Permanent Secretary, Ministry of Agriculture & Rural Development.

(iii) Permanent Secretary, Ministry of Finance & Planning.

(iv) The Chairman and Managing Director of National Bank of Kenya.

(v) Mr. Andrew Gregory, Receiver/Manager.

(vi) Mr. Mwaka Musau, Property Manager.

MINUTE NO.328/99 **ADDITIONAL INFORMATION - KENYA MEAT COMMISSION (KMC) ASSETS**

1. The Committee directed the Permanent Secretary, Ministry of Agriculture and Rural Development to submit a copy of the report by the Technical Team on economic revitalisation of KMC by Monday 4th October, 1999.

2. The Receiver/Manager to submit the following information by the same date.

   (i) A copy of the letter from National Bank of Kenya instructing the Receiver/Manager to stop further disposal of KMC assets.

   (ii) A schedule of assets and valuations disposed off by the Receiver/Manager to-date.

   (iii) Sale agreements for both Kitsuru and Mombasa godown plots.

   (iv) Documentary evidence in support of specific instructions to the Estate Agents and

purchasers to stop further disposal of KMC assets in compliance with the National Bank of Kenya directive.

MINUTE NO.329/99 **PAPERS LAID**

The following papers were tabled during the deliberations of the Committee.

(i) A copy of the letter from the Permanent Secretary, Ministry of Agriculture & Rural Development to the National Bank of Kenya instructing the bank to stop further disposal of KMC assets.

(ii) A copy of the letter from National Bank of Kenya instructing the Receiver/Manager to hold in abeyance any further sale of KMC assets.

MINUTE NO.330/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Twelve O'clock until Friday 8th October, 1999 at 9.00 a.m.

SIGNED: **Hon. G.M. Parpai, M.P.**

AG. CHAIRMAN

DATE: **25th October, 1999**

MINUTES OF THE FORTIETH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 8TH OCTOBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.
Hon. Sayyid Amin, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang'
Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Ag. Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. P.G. Ndungu	-	Principal Auditor
Mr. A.G. Waiganjo	-	Senior Auditor

INSPECTORATE OF STATE CORPORATION

Mr. John Kithete	-	Senior Economist

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. T. Khakame	- Chief Accountant
Mr. F.W. Kingori	- Assistant Secretary

MINUTE NO.331/99 **EVIDENCE**

The Report and Accounts of Kenya Tea Development Authority for the year 1994/95 and the certificate thereon by the Auditor-General (Corporations).

Mr. G.M. Kimani, Ag. Managing Director of Kenya Tea Development Authority accompanied by Messrs:- J.F. Luhongo, Finance Manager; D.K. Kimani, Financial Controller; P.G. Gathuri, Senior Accounts Manager; J. Shigoli, Corporation Secretary; C. Irungu, former Managing Director; and Joseph Njuguna Thairu, Deputy Secretary, Ministry of Agriculture and Rural Development; appeared before the Committee and gave evidence on the accounts of the Authority for the year 1994/95.

MINUTE NO.332/99 **DEFERRED EVIDENCE - PARAGRAPH 1 OF 1994/95 ACCOUNTS - EXPORT COLLECTION CASH ACCOUNT**

Under Minute No.53/99, the Committee noted that the following information had not been submitted by the Chief Executive as directed.

(i) Copies of the fixed deposit certificates for the year in question.

(ii) Fixed deposit registers for the period 1994/95 to-date.

Consequently, the Committee directed the Chief Executive to submit the said information by Wednesday 13th October, 1999.

MINUTE NO.333/99 **DEFERRED EVIDENCE - PARAGRAPH 2 OF 1994/95 ACCOUNTS - CASH AND BANK BALANCE/OVERDRAFT**

Under Minute No.54/99, the Committee noted that the Chief Executive had not submitted the following information as directed.

(i) A detailed analysis of the factories which advanced the Authority amounts totalling Kshs.300,000,000.

(ii) Copies of the Board Minutes that deliberated on the audited accounts of the Authority for the year 1994/95.

Consequently, the Committee directed the Chief Executive to submit the said information by Wednesday 13th October, 1999.

MINUTE NO.334/99 **DEFERRED EVIDENCE - PARAGRAPH 3 OF 1994/95 ACCOUNTS - PURCHASE OF TRUCKS**

1. The Committee directed the Chief Executive to submit the following information by Wednesday 13th October, 1999.

   (i) Copies of the following Payment Advices
   - PA No. 110631 (US $ 381,313.48)
   - PA No. 110632 (US $ 603,405)

   (ii) Procurement procedure followed in purchasing the trucks and the justification for single sourcing and price variations.

   (iii) Justification for procuring 10 trucks locally and 15 trucks abroad.

   (iv) Evidence in support of reimbursement from the respective tea factories for the trucks purchased on their behalf by KTDA.

   (v) Evidence of requirement and authority from the respective tea factories for the purchase of trucks on their behalf by KTDA.

2. The Committee further directed the following to appear before it at a later date.

   (i) Mr. Cyrus Irungu, former Managing Director.

   (ii) Permanent Secretary, Ministry of Agriculture and Rural Development.

MINUTE NO.335/99 **DEFERRED EVIDENCE - 1994/95 - ACCOUNTS**

Paragraph 5 - Debtors and pre-payments

Paragraph 6 - Indebtedness by the Parent Ministry - Ole Nguruone Tea Project.

MINUTE NO.336/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Twelve O'clock until Friday 15th October, 1999 at 9.00 a.m.

SIGNED: **Hon. G.M. Parpai, M.P.**

AG. CHAIRMAN

DATE: **25th October, 1999**

MINUTES OF THE FORTY FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 15TH OCTOBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.
Hon. Sayyid Amin, M.P.
Hon. P.K.M. Sang'
Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit
Mr. J.K. Mukhooli - Deputy Director of Audit
Mr. F.J. Mwasella - Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. T. Khakame - Chief Accountant
Mr. F.W. Kingori - Assistant Secretary

MINUTE NO.337/99 **EVIDENCE**

The Report and Accounts of Nyayo Tea Zones Development Corporation for the years 1993/94 - 1994/95 and the certificate thereon by Auditor-General (Corporations).

Mr. John A. Sang, Managing Director of Nyayo Tea zones Development Corporation accompanied by Messrs:- David Malila, Chief Accountant; Alexy Mulwiwan, Senior Internal Auditor; and Ann Mworia, Under Secretary, Ministry of Agriculture and Rural Development; appeared before the Committee and gave evidence on the accounts of the Corporation for the years 1993/94 - 1994/95.

MINUTE NO.338/99 **PAPERS LAID**

The Chief Executive tabled the following papers during the Committee's deliberations.

(i) A copy of the letter from the Office of the President regarding the acquisition of title deeds for land owned by the Corporation.

(ii) A list of former District Commissioners who have not accounted for expenditure in respect of Establishment Cost totalling Kshs.7,907,601.

MINUTE NO.339/99 **DEFERRED EVIDENCE - PARAGRAPH 2 OF 1993/94 ACCOUNTS - UNSUPPORTED EXPENDITURE**

The Committee directed that the Permanent Secretary/Provincial Administration, Office of the President appear before it at a later date together with the concerned District Commissioners who have not accounted for expenditure in respect of Establishment Cost.

MINUTE NO.340/99 **DEFERRED EVIDENCE - PARAGRAPH 3 OF 1993/94 ACCOUNTS - PURCHASE ADVANCES**

1. The Committee directed that Commissioner Isaiah Cheluget appear before it at a later date to explain why he has not surrendered Kshs.12,702.00 in respect of purchase advances.

2. The Committee further directed the Chief Executive to submit a detailed schedule of imprest holders to-date by Monday 18th October, 1999.

MINUTE NO.341/99 **ADDITIONAL INFORMATION - PARAGRAPH 4 OF 1993/94 ACCOUNTS - CASH & BANK BALANCES**

The Committee directed the Auditor-General (Corporations) to verify an amount of Kshs.150,953.00 which was erroneously treated as cash in hand instead of standing imprest.

MINUTE NO.342/99 **DEFERRED EVIDENCE 1994/95 ACCOUNTS**

The Committee deferred taking evidence on the said accounts to a later date.

MINUTE NO.343/99 ANY OTHER BUSINESS

1. **CIVIL SUIT AGAINST MEMBERS OF THE PUBLIC INVESTMENTS COMMITTEE**

(a) The Committee directed the Chief Executive to submit the following information by Monday 18th October, 1999.

(i) Board Minutes that authorised the expenditure on legal fee in respect of the said civil suit.

(ii) Board Minutes that confirmed the Minutes which authorised the expenditure on the said civil suit.

(iii) Expenditure incurred by the Corporation to-date in respect of the said civil suit.

(iv) A copy of the Management Report to the Board on the said civil suit for deliberations.

(b) The Committee further directed that the following appear before it at a later date in connection with the said civil suit.

(i) Permanent Secretary, Ministry of Agriculture and Rural Development.

(ii) Permanent Secretary/Provincial Administration, Office of the President to explain the basis on which the Corporation is using public funds to dispense the said civil suit.

2. **INSPECTION TOUR OF COAST REGION**

The Committee resolved to make an inspection tour of the projects undertaken by the following State Corporation in Coast Region commencing on Thursday 11th - Tuesday 16th November, 1999.

MALINDI

- Kenya Posts & Telecommunications Corporation
- National Housing Corporation
- National Water Conservation & Pipeline Corporation
- Kenya Cashewnut Factory

MOMBASA

- Kenya Ports Authority
- Exports Processing Zones Authority
- Westmont Power (Kenya) Ltd

MINUTE NO.344/99 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until Monday 18th October, 1999 at 2.30 p.m.

SIGNED: **Hon. G.M. Parpai, M.P.**

AG. CHAIRMAN

DATE: **25th October, 1999**

MINUTES OF THE FORTY SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON MONDAY 18TH OCTOBER, 1999 AT 2.30 P.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. Sayyid Amin, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit
Mr. E.H. Gikonyo - Deputy Director of Audit
Mr. G.O. Osaho - Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. F.W. Kingori - Assistant Secretary

MINUTE NO.345/99 **EVIDENCE**

The Report and Accounts of Kenya Broadcasting Corporation for the years 1994/95 - 1996/97 and the certificate thereon by Auditor-General (Corporations).

Mr. Simeon Anabwani, Managing Director of Kenya Broadcasting Corporation accompanied by Messrs:- Praxedes Otieno, Accounts Controller; Zachary Ochako, Assistant Manager (Personnel Services); Boniface Ikonze, Credit Controller; James Kivuitu, Superintending Engineer (Television); Kipserem Maritim, Editor-in-Chief; and D.K.

Kibera, Deputy Secretary, Ministry of Information, Transport and Communications; appeared before the Committee and gave evidence on the accounts of the Corporation for the years 1994/95 - 1996/97.

MINUTE NO.346/99 **DEFERRED EVIDENCE - PARAGRAPH 1 OF 1994/95 ACCOUNTS - FINANCIAL POSITION**

1. The Committee directed the Chief Executive to submit the following information by 30th October, 1999.

   (i) A comprehensive report on the ten new medium wave radio transmitting stations detailing the following:-

   (a) Tendering procedure
   (b) Cost per station
   (c) Contractors

   (ii) A copy of the feasibility study report on modernization of the ten Radio Stations.

   (iii) A reconciliation of the financial charges on OECF loan.

2. The Committee further directed that Mr. Philip Okundi, former Managing Director of the Corporation appear before it at a later date.

MINUTE NO.347/99 **DEFERRED EVIDENCE - PARAGRAPH 2 OF 1994/95 ACCOUNTS - LOAN SERVICING**

The Committee directed that Mr. Philip Okundi, former Managing Director appear before it at a later date to give evidence on the said paragraph.

MINUTE NO.348/99 **ADDITIONAL INFORMATION - PARAGRAPH 3 OF 1994/95 ACCOUNTS - DEBTORS**

1. The Committee directed the Chief Executive to submit the current debtors list by 30th October, 1999.

2. The Committee further directed the Chief Executive to pursue the recovery of Kshs.6,377,900 from KANU and give a progress report by 18th November, 1999.

MINUTE NO.349/99 **PAPER LAID**

The Chief Executive tabled an analysis of debtors for 1994/95 during the deliberations of the Committee.

MINUTE NO.350/99 **DEFERRED EVIDENCE**

1. 1994/95 Accounts

   Paragraph 4 - Imprest
   Paragraph 5 - Insurance of property of the Corporation

2. 1995/96 - 1996/97 Accounts

MINUTE NO.351/99 **ADJOURNMENT**

The Chairman adjourned the Committee at thirty minutes past Five O'clock until Friday 22nd October, 1999 at 9.00 a.m.

SIGNED: **Hon. G.M. Parpai, M.P.**

AG. CHAIRMAN

DATE: **25th October, 1999**

MINUTES OF THE FORTY THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 22ND OCTOBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. Sayyid Amin, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang', M.P.
Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. Tom Okungu	-	Auditor II

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. F.W. Kingori	-	Assistant Secretary
Mr. J.G. Kiarie	-	Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. R.E. Ndubai	-	Ag. Inspector of State Corporations

MINUTE NO.352/99 **EVIDENCE**

The Report and Accounts of National Oil Corporation of Kenya for the year 1996/97 and the certificate thereon by Auditor-General (Corporations).

Mr. F.K. Moiywo, Managing Director of National Oil Corporation of Kenya accompanied by Messrs:- J. Nyamongo, Chief Accountant; and D.R.O. Riaroh, Ag. Chief Geologist, Ministry of Energy; appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1996/97.

MINUTE NO.353/99 **ADDITIONAL INFORMATION**

The Committee directed as follows:-

(i) The Investments Secretary to state the Treasury's position on the funding of National Oil Corporation for development of downstream projects by Tuesday 26th October, 1999.

(ii) The Investments Secretary to be informed accordingly to attend the Committee sittings personally due to inadequate representation by his officers.

(iii) The Chief Executive to give a feedback on the Corporations position on the development of Plot LR No.10/263 on Nakuru-Nairobi Road by 30th November, 1999.

MINUTE NO.354/99 **ADDITIONAL INFORMATION - PRICE STABILIZATION**

The Committee directed the Chief Executive to submit a comprehensive report detailing the following by Friday 5th November, 1999.

(i) The impact made by the Corporation on regulating petroleum prices in the oil industry.

(ii) The Corporation's requirements to realise maximum impact on pump price stabilization in line with its original mandate.

(iii) The constraints encountered by the Corporation in view of the current liberalisation of the oil industry.

(iv) The amount being realised by the Corporation from the plots leased out.

MINUTE NO.355/99 **ADDITIONAL INFORMATION - US $ 125,000 BANKED IN U.S.A.**

The Committee directed the Chief Executive to explain how US$ 125,000 realised through the sale of Lamu Oil Exploration Report by a consultant was banked in the U.S.A. and when the amount will be released to the Corporation. The information to be submitted by Friday 5th November, 1999.

MINUTE NO.356/99 **ADJOURNMENT**

The Chairman adjourned the Committee at thirty minutes past Twelve O'clock until Monday 25th October, 1999 at 2.30 p.m.

SIGNED: **Hon. G.M. Parpai, M.P.**

AG. CHAIRMAN

DATE: **25th October, 1999**

MINUTES OF THE FORTY FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON MONDAY 25TH OCTOBER, 1999 AT 2.30 P.M.

PRESENT:

Hon. G.M. Parpai, M.P. **(Ag.Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Sayyid Amin, M.P.
Hon. David Kombe, M.P.
Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Joseph A. Donde, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit

INSPECTORATE OF STATE CORPORATIONS

Mr. J.N. Kithete - Senior Economist

MINUTE NO.357/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the previous sittings of the Committee were confirmed by the Members present and signed by the Ag. Chairman Hon. G.M. Parpai as follows:-

(i) The Thirty Fourth Sitting held on Friday 24th September, 1999 were proposed by Hon. Ochilo Ayacko and seconded by Hon. Sambu.

(ii) The Thirty Fifth Sitting held on Monday 27th September, 1999 were proposed by Hon. Kombe and seconded by Hon. Shabaan.

(iii) The Thirty Sixth Sitting held on Tuesday 28th September, 1999 were proposed by Hon. Kaindi and seconded by Hon. Kombe.

(iv) The Thirty Seventh Sitting held on Wednesday 29th September, 1999 were proposed by Hon. Badawy and seconded by Hon. Amin.

(v) The Thirty Eighth Sitting held on Thursday 30th September, 1999 were proposed by Hon. Kaindi and seconded by Hon. Badawy.

(vi) The Thirty Ninth Sitting held on Friday 1st October, 1999 were proposed by Hon. Amin and seconded by Hon. Shabaan.

(vii) The Fortieth Sitting held on Friday 8th October, 1999 were proposed by Hon. Badawy and seconded by Hon. Shabaan.

(viii) The Forty First Sitting held on Friday 15th October, 1999 were proposed by Hon. Shabaan and seconded by Hon. Badawy.

(xi) The Forty Second Sitting held on Monday 18th October, 1999 were proposed by Hon. Badawy and seconded by Hon. Shabaan.

(x) The Forty Third Sitting held on Friday 22nd October, 1999 were proposed by Hon. Kombe and seconded by Hon. Shabaan.

MINUTE NO.358/99 **MATTERS ARISING**

(i) **Under Minute No.281/99 (i),** the Committee noted that the Treasury had not submitted the additional information required and directed that the same be submitted.

(ii) **Under Minute No.283/99,** the Committee drew up an agenda for Kenya Medical Training College.

(iii) The Committee resolved to incorporate the following in its revised sitting programme.

(a) Kenya Medical Research Institute
(b) Rural Electrification Scheme

MINUTE NO.359/99 **ADJOURNMENT**

The Ag. Chairman adjourned the meeting at Five O'clock until Friday 29th October, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **29th October, 1999**

MINUTES OF THE FORTY FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 29TH OCTOBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Joseph A. Donde, M.P.
Hon. P.K.M. Sang', M.P.
Hon. G.M. Parpai, M.P.
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Sayyid Amin, M.P.
Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. C.N. Nyanyuki	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist

INSPECTORATE OF STATE CORPORATIONS

Mr. E.N. Ngige	-	Principal Assistant Inspector

MINUTE NO.360/99 CONFIRMATION OF THE MINUTES

The Minutes of the Forty Fourth Sitting of the Committee held on Monday 25th October, 1999, were confirmed by the Members present and signed by the Chairman. Proposed by Hon. Kaindi and seconded by Hon. Sambu.

Mr. J.M. Munene, Managing Director of Kenya Ports Authority accompanied by Messrs:- V.M. Wa-Kayanda, Human Resource Controller; J.M. Mulewa, Ag. Financial Controller; P.G. Njari, Head of Internal Audit; N.O. Were, Financial Accountant; G. Dulu, Company Secretary; A.M. Samatar, Ag. Chief Civil Engineer; and Hezron Oluoch, Deputy Secretary, Ministry of Information, Transport and Communications; appeared before the Committee and gave evidence on the accounts of the Authority for the year 1996/97.

MINUTE NO.368/99 **ADDITIONAL INFORMATION - PARAGRAPH 1 OF 1996/97 - ADVANCES TO KENYA FERRY SERVICES**

1. The Committee directed both the Parent Ministry and the Treasury to reconcile the amount owed to Kenya Ports Authority in respect of the advances to Kenya Ferry Services and the apportionment of Kshs.200 million.

2. The Committee further directed the Parent Ministry to explain why the Government invested in M/s Ocean Cruises Company Ltd which was on the verge of collapse.

The said information to be submitted by Friday 12th November, 1999.

MINUTE NO.369/99 **DEFERRED EVIDENCE - PARAGRAPH 2 OF 1996/97 ACCOUNTS - INLAND CONTAINER DEPOT - ELDORET**

1. The Committee directed the following to appear before it at a later date to explain the upward variation of the contract price from Kshs.279,681,839 to Kshs.404,065,774.

   (i) Directors of M/s Factor Construction Company Ltd.

   (ii) Consultants for the project.

2. The Committee further directed the Chief Executive to explain the mode of tendering for the project, breakdown of the cost incurred to-date and the Board Minutes which authorised the upward adjustment of the contract price by January, 2000.

MINUTE NO.370/99 **DEFERRED EVIDENCE - 1996/97 ACCOUNTS**

The Committee deferred taking evidence on paragraphs 3 - 10 of the said accounts to a later date.

MINUTE NO.371/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Six O'clock until Friday 5th November, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **8th November, 1999**

MINUTES OF THE FORTY SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 5TH NOVEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. David Kombe, M.P.
Hon. G.M. Parpai, M.P.
Hon. John Sambu, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Ochilo Ayacko, M.P.

ABSENT WITH APOLOGY:

Hon. Abubakar M. Badawy, M.P.
Hon. Joseph A. Donde, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Ag. Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. H. Wanyama	-	Assistant Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. M.L. Oduor-Otieno	-	Permanent Secretary/Treasury
Ms Catherine Kimura	-	Deputy Secretary
Mr. Z.E.N. Achira	-	Finance Manager
Ms B.W. Gathirwa	-	Accounts Controller

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng - Deputy Inspector of State Corporations

MINUTE NO.372/99 **EVIDENCE**

The Report and Accounts of National Cereals and Produce Board for the year 1995/96 and the certificate thereon by the Auditor-General (Corporations).

Maj.(Rtd) W.K. Koitaba, Managing Director of National Cereals and Produce Board accompanied by Messrs:- R.K. Langat, Technical Manager; W.K. Maina, General Manager (Finance & Administration); S.K. Muhihu, General Manager, (Marketing); P.N. Mutua, Chief Internal Auditor; A.G. Kamau, Chief Legal Officer; C.S. Khaemba, Chief Accountant; W. Chelashaw, immediate former Managing Director; and W. Kikwai, former Managing Director; appeared before the Committee and gave evidence on the accounts of the Board for the year 1995/96.

MINUTE NO.373/99 **DEFERRED EVIDENCE - PARAGRAPH 2.1 OF THE 1995/96 ACCOUNTS - GOVERNMENT DEBTORS**

The Committee took great exception to the failure by the Permanent Secretaries of both the Office of President, Mr. Zakayo Cheruiyot and Ministry of Agriculture & Rural Development, Prof. Shem Migot-Adholla to appear before it as directed without any explanation.

MINUTE NO.374/99 **ADDITIONAL EVIDENCE - PARAGRAPH 2.4 OF 1995/96 ACCOUNTS - OTHER DEBTORS**

The Committee resolved to re-summon Mr. W. Chelashaw, former Managing Director in connection with the fraudulent payments made at Mombasa depot amounting to Kshs.33,725,646.

MINUTE NO.375/99 **DEFERRED EVIDENCE - 1995/96 ACCOUNTS**

The Committee deferred taking evidence on paragraphs 3.0 - 6.0 of the said accounts.

MINUTE NO.376/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minute past Twelve O'clock until Monday 8th November, 1999 at 2.30 p.m.

SIGNED: Hon. Mwangi Githiomi, M.P.

CHAIRMAN

DATE: 8th November, 1999

MINUTES OF THE FORTY EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON MONDAY 8TH NOVEMBER, 1999 AT 2.30 P.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. David Kombe, M.P.
Hon. G.M. Parpai, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Joseph A. Donde, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang', M.P.
Hon. John Sambu, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Ag. Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. P.O. Ogola	-	Principal Auditor
Mr. B.K. Mulli	-	Auditor I

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	-	Finance Manager
Mr.T.K. Khakame	-	Chief Accountant

MINUTE NO.377/99 **CONFIRMATION OF THE MINUTES**

The Minutes of the previous sittings of the Committee were confirmed by the Members present and signed by the Chairman as follows:-

(i) The Forty Fifth Sitting held on Friday 29th October, 1999 were proposed by Hon. Badawy and seconded

by Hon. Ayacko.

(ii) The Forty Sixth Sitting held on Monday 1st November, 1999 were proposed by Hon. Parpai and seconded by Hon. Badawy.

(iii) The Forty Seventh Sitting held on Friday 5th November, 1999 were proposed by Hon. Kombe and seconded by Hon. Amin.

MINUTE NO.378/99 **MATTERS ARISING**

1. **Under Minute No.361/99 (ii) (a),** the Chairman informed the members of the postponement of the proposed inspection tour by the Committee in Coast Province until the Appropriation Bill for 1999 is passed by Parliament.

2. The Committee resolved to have a meeting with the Permanent Secretary/Secretary to the Cabinet and Head of the Public Service; Permanent Secretary, Ministry of Finance & Planning; Permanent Secretary/Director, Directorate of Personnel Management; and the Attorney-General on Friday 19th November, 1999.

MINUTE NO.379/99 **EVIDENCE**

Kenya Medical Training College

Mr. William K. Boit, Director of Kenya Medical Training College accompanied by Messrs:- Martha W. Ndegwa, Principal Personnel Officer; Jacob J. Ombayo, Accountant; Silas E. Njeru, Supplies Officer; Anastasia Kimeu, Ag. Registrar (Academic); and Ibrahim M. Hussein, Deputy Secretary, Ministry of Health; appeared before the Committee and gave evidence on the operations of the College.

MINUTE NO.380/99 **DEFERRED EVIDENCE - ADMISSION**

The Committee directed the Chief Executive to submit the following information by Monday 15th November, 1999.

(i) All correspondence between the College and the Office of the President regarding the autonomy of the College.

(ii) Copies of the Minutes of the Academic Selection Board meetings which selected students to the College for the year 1999/2000.

(iii) Members of the Academic Selection Board.

(iv) A comprehensive list of students admitted to the College for the last 3 years detailing the following:-
- Names & Identity Nos.
- Location
- District
- Courses admitted to

(v) A write-up on the proposed selection criteria for admission by the College.

(vi) Receipts for Kshs.5,928,800 in respect of application fees for 1998/99.

MINUTE NO.381/99 **ADDITIONAL EVIDENCE**

(i) The Committee directed that the Permanent Secretary, Ministry of Health appear before it at a later date in connection with the autonomy of Kenya Medical Training College.

(ii) The Committee resolved to raise the issue regarding the autonomy of the College with the "Big Five".

(iii) The Committee further resolved to make an inspection tour of the College at a later date.

MINUTE NO.382/99 **ADJOURNMENT**

The Chairman adjourned the meeting at fifteen minutes past Six O'clock until Friday 12th November, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **12th November, 1999**

MINUTES OF THE FORTY NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 12TH NOVEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. David Kombe, M.P.
Hon. G.M. Parpai, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar M. Badawy, M.P.
Hon. Joseph A. Donde, M.P.
Hon. P.K.M. Sang', M.P.
Hon. John Sambu, M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Ag. Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit
Mr. E.H. Gikonyo	-	Deputy Director of Audit
Mr. G.O. Osaho	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary
Mr.T.K. Khakame	-	Chief Accountant

MINUTE NO.383/99 CONFIRMATION OF THE MINUTES

The Minutes of the Forty Eighth sitting of the Committee held on Monday 8th November 1999 were confirmed by the Members present and signed by the Chairman. Proposed by Hon. Kaindi and seconded by Hon. Ayacko.

MINUTE NO.384/99 MATTERS ARISING

(i) **Under Minute No.378/99 (1),** the Committee resolved to conduct its proposed inspection tour of Coast Province during the first week of December, 1999.

(ii) **Under Minute No.378/99 (2),** the Committee resolved to have a meeting with the "BIG FIVE" on Monday 29th November, 1999.

MINUTE NO.385/99 EVIDENCE

The Report and Accounts of National Housing Corporation for the years 1995/96 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. L.K. Kiplagat, Managing Director of National Housing Corporation accompanied by Messrs:- J.A. Shikumo, Technical Manager; W.M. Wepukhulu, Finance Manager; Elizabeth W. Mbugua, Corporation Secretary; M.W. Wandabwa, Senior Accountant; Wilson Gacanja, Commissioner of Lands; and P.O. Sika, Ag. Chief Architect, Ministry of Roads and Public Works; appeared before the Committee and gave evidence on the accounts of the Corporation for the years 1995/96 - 1996/97.

MINUTE NO.386/99 PAPERS LAID

The following papers were tabled during the deliberations of the Committee.

(i) A copy of the letter from the Commissioner of Lands to Messrs Rojpa Investments regarding the cancellation of the allotment of the plot to the company for the proposed Nursery and Primary School in Nyayo Highrise.

(ii) A copy of the letter from the Commissioner of Lands to the Permanent Secretary, Ministry of Roads and Public Works confirming the cancellation of the allocation and the reversion of the said plot to National Housing Corporation.

(iii) A copy of the letter from the Managing Director of the Corporation to the Permanent Secretary/Secretary to the Cabinet & Head of the Public Service seeking

authority to use civilian number plates on motor vehicles Nos. KAD 954R and KAE 965T.

MINUTE NO.387/99 **ADDITIONAL INFORMATION PARAGRAPH 5 OF 1995/96 ACCOUNTS - MOTOR VEHICLES NO.KAE 965T AND PAJERO KAD 954R**

The Committee directed both the parent Ministry and the Chief Executive to ensure that the registration numbers of the above Corporation's vehicles revert to blue number plates in accordance with the State Corporations vehicles regulations.

The Committee should be given a feedback by Friday 19th November, 1999.

MINUTE NO.388/99 **ADDITIONAL INFORMATION - PARAGRAPH 3 OF 1995/96 ACCOUNTS - USE OF CREDIT CARD**

The Committee directed the Chief Executive to submit the following information by Friday 19th November, 1999.

(i) A detailed breakdown of the expenditure of Kshs.19,526.00 incurred in respect of entertainment on 25th December, 1995.

(ii) A copy of the statement of expenditure from the Senator Credit Card Limited detailing the usage of the credit card by the current Managing Director.

MINUTE NO.389/99 **DEFERRED EVIDENCE - 1996/97 ACCOUNTS**

Paragraph 5 - Contracts
Paragraph 6 - Managing Director's salary

MINUTE NO.390/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Twelve O'clock until Friday 19th November, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**
CHAIRMAN

DATE: **8th February, 2000**

MINUTES OF THE FIFTIETH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON FRIDAY 19TH NOVEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. G.M. Parpai, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. R. Bichanga	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	-	Deputy Secretary
Ms. B.W. Gathirwa	-	Accounts Controller

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector

MINUTE NO.391/99 **MATTERS ARISING**
DELAY IN SUBMISSION OF ACCOUNTS FOR AUDIT

The Committee noted with concern that there is laxity by most of State Corporations with regard to the submission of the annual accounts to the Auditor-General (Corporations) for audit.

Consequently, the Committee resolved to raise the issue with the "Big Five" with a view to recommending legal action to be taken against the Chief Executives concerned.

MINUTE NO.392/99 EVIDENCE

The Report and Accounts of Kenya Airports Authority for the year 1994/95 and the certificate thereon by the Auditor-General (Corporations).

Mr. M.S. Muriithi, Managing Director of Kenya Airports Authority accompanied by Messrs:- J.K. Mutua, General Manager (Finance); M. Mukwana, General Manager (Engineering Services); and G.G. Irungu, Under Secretary, Office of the President; appeared before the Committee and gave evidence on the accounts of the Authority for the year 1994/95.

MINUTE NO.393/99 DEFERRED EVIDENCE - 1994/95 ACCOUNTS

1. The Committee deferred taking evidence on the following paragraphs.

   Paragraph 6 - Agreement between the Government and the House of Perfume.

   Paragraph 8 - Fixed Assets

   Paragraph 9 - Taxable allowance

2. The Committee directed that both the former Managing Director, Mr. B. Omuse and former General Manager (Finance) Mr. John Barmao appear before it at a later date together with the Management.

3. The Committee resolved to raise the issue regarding the accounting system of Kenya Airports Authority with the "Big Five".

MINUTE NO.394/99 ADJOURNMENT

The Chairman adjourned the meeting at Twelve O'clock until Monday 22nd November, 1999 at 2.30 p.m.

SIGNED: Hon. Mwangi Githiomi, M.P.

CHAIRMAN

DATE: 8th February, 2000

MINUTES OF THE FIFTY FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON MONDAY 22ND NOVEMBER, 1999 AT 2.30 P.M.

PRESENT:

Hon. P.K. Kaindi, M.P. **(Ag. Chairman)**
Hon. John K. Sambu, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.

ABSENT WITH APOLOGY:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit
Mr. E.H. Gikonyo - Deputy Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira - Deputy Secretary
Ms. B.W. Gathirwa - Accounts Controller

MINUTE NO. 395/99 **EVIDENCE**

The Report and Accounts of Industrial and Commercial Development Corporation for the years 1995/96 - 1996/97 and the certificate thereon by Bellhouse Mwangi Ernst and Young.

Mr. K.K. Bett, Executive Director of Industrial and Commercial Development Corporation accompanied by Messrs:- Moses Njuguna, Loans Manager; N.K. Chesoni, Equity Manager; G. Nyagisere, Principal Projects Officer; P.M. Kittundu, Chief Valuer; J.C. Mwaura, Chief

Accountant; I.B. Mogaka, Corporation Secretary; J.M. Masila, Director of Industries, Ministry of Tourism, Trade and Industry; and R.O. Oisebe, Chief Accountant; appeared before the Committee and gave evidence on the accounts of the Corporation for the years 1995/96 - 1996/97.

MINUTE NO.396/99 **DEFERRED EVIDENCE - PARAGRAPH 2 OF 1995/96 ACCOUNTS - SOYA OIL & FOOD INDUSTRIES LTD**

1. The Committee directed the Chief Executive to submit the following information by Tuesday 30th November, 1999.

   (a) A copy of the feasibility study report on Soya Bean Oil solvent Extraction Plant project.

   (b) All correspondence and agreements pertaining to the said project.

   (c) Documentary evidence in support of the alleged undue pressure exerted on the Corporation to implement the said project.

2. The Committee further directed that both Mr. John Simba, former Managing Director and Mr. Savage of M/s Savage Holding Ltd appear before it at a later date.

3. The Committee resolved to inspect the equipments and machinery for the said project during its proposed inspection tour of projects in Coast Province.

MINUTE NO.397/99 **ADDITIONAL INFORMATION**

1. The Committee directed the Chief Executive to submit the following information by Tuesday 30th November, 1999.

   (i) A confirmation on whether Mr. Seth Oluoch Ojijo actually operates a Filling Station in line with the loan which was advanced to him in 1996.

   (ii) Current search on Land LR No. Kericho/Kipsitet/36 - Cap Joseph Malakwen and all other parcels of land charged as securities by the Corporation.

2. The Committee further directed that the Corporation's valuers Mr. P.A. Okwiri and Mrs I.G. Kinyiri appear before at later date.

MINUTE NO.398/99 **PAPER LAID**

The Chief Executive tabled a copy of the valuation report on the Title No. Kericho/Kipsitet/36 - Cap. Joseph Malakwen Sitienei during the deliberations of the Committee.

MINUTE NO.399/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Six O'Clock until Tuesday 23rd November, 1999 at 10.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **8th February, 2000**

MINUTES OF THE FIFTY SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON TUESDAY 23RD NOVEMBER, 1999 AT 10.00 P.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. John K. Sambu, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. David Kombe, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY:

Hon. P.K. Kaindi, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. Maluki	-	Auditor General (Corporations)

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	-	Deputy Secretary
Ms. B.W. Gathirwa	-	Accounts Controller

MINUTE NO. 400/99 "AGENDA FOR THE BIG FIVE"

The Committee further reviewed the issues to be raised with Permanent/Secretary, Secretary to the Cabinet and head of Public Service; Attorney General; Permanent Secretary, Treasury; Permanent Secretary, Directorate of Personnel Management and prioritised them as follows:-

1. **Exemption of Corporations from the Provisions of the State Corporations Act (Cap 446)**

Reference: **7th Report**

Observation	-	(Page xxiii No. 13)
Recommendation	-	(Page xxviii No. 12a)

2. **Privatisation**

Reference: **6th Report**

Observation	-	(Page xxvi No. 19)
Recommendation	-	(Page xxxiii No. 19)
Recommendation	-	(Page xxxix No. 16)

7th Report

Observation	-	(Page xxiv No. 15)

3. **Irregular procurement and Tendering procedures**

Reference: **6th Report**

Observation	-	(Page xi No. 1)
Recommendation	-	(Page xxviii No. 1)
Recommendation	-	(Page xxxiv No. 4)

4. **Office of the Auditor - General (Corporations)**

Reference: **6th Report**

Recommendation	-	(Page xl No. 20)

7th Report

Recommendation	-	(Page xxvii No. 1b
Recommendation	-	(Page xxxi No. 1B(G)

5. **Investments of Surplus funds contrary to the Treasury Regulations**

Reference: **6th Report**

Observation	-	(Page xxii No. 13)
Recommendation	-	(Page xxx No. 13)

7th Report

Observation	-	(Page xvi No. 4)
Recommendation	-	(Page xxvii No. 4)
Recommendation	-	(Page xxxii No. 4)

6. **Legal action on Corruption, Misappropriation and mismanagement of funds in State Corporations**

Reference: **6th Report**

Observation	-	(Pages xv - xvii No. 4)
Recommendations	-	(Page xxviii No. 4)
"	-	(Pages xxxiii - xxxiv No.2)
"	-	(Pages xxxvii - xxxix No.5)

7th Report

Observation	-	(Page xiv No. 1)
Recommendation	-	(Page xxvii No. 1)
"	-	(Page xxix No. 1)

7. **Late submission of accounts for audit**

Reference: **7th Report**

Observation	-	(Page xxiv No. 14)
Recommendation	-	(Page xxix No. 13)
"	-	(Page xxxv No. 13)

8.. **Honoraria for staff servicing the Committee**

Reference: **6th Report**

Recommendation	-	(Page xli No. 21 & 19)

7th Report

Observation	-	(Page xxiv No. 16)
Recommendation	-	(Page xxix No. 14)
"	-	(Page xxxv No. 14)

9. **Restructuring**

Reference: **7th Report**

Observation	-	(Page xv No. 2)
Recommendation	-	(Page xxvii No. 2)
"	-	(Page xxxi No. 2)

10. **Consultancy**

Reference: **6th Report**

Observation	-	(Page xiv No. 2)
Recommendation	-	(Page xxviii No. 2)
"	-	(Pages xxxv - xxxvi No. 9)

11. **Dormant/abandoned/uncompleted projects**

Reference: **6th Report**

Observation	-	(Page xxiv No. 14)
Recommendation	-	(Page xxx No. 14)

7th Report

Observation	-	(Page xx No. 9)
Recommendation	-	(Page xxviii No. 7)
"	-	(Page xxxiii No. 7)

12. **Over-expenditure without approval**

Reference: **7th Report**

Observation	-	(Page xv No. 3)
Recommendation	-	(Page xxvii No. 3)
"	-	(Page xxxii No. 3)

MINUTE NO.401/99 ADJOURNMENT

The Chairman adjourned the meeting at thirty minutes past Twelve O'Clock until Monday 29th November, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **8th February, 2000**

MINUTES OF THE FIFTY THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON MONDAY 29TH NOVEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. David Kombe, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY:

Hon. Ochilo Ayacko, M.P.
Hon. P.K.M. Sang', M.P.
Hon. John K. Sambu, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. Maluki	-	Auditor General (Corporations)

MINUTE NO. 402/99 **MEETING WITH THE ATTORNEY-GENERAL; PERMANENT SECRETARY/SECRETARY TO THE CABINET & HEAD OF THE PUBLIC SERVICE; PERMANENT SECRETARY, MINISTRY OF FINANCE; AND PERMANENT SECRETARY, DIRECTORATE OF PERSONNEL MANAGEMENT**

The Committee was informed that both the Attorney-General and the Permanent Secretary, Directorate of Personnel Management were unable to attend the meeting because of other urgent official assignments.

Consequently, the Committee postponed the meeting to a later date.

MINUTE NO.403/99 **INFORMAL MEETING WITH THE PERMANENT SECRETARY/SECRETARY TO THE CABINET AND HEAD OF THE PUBLIC SERVICE**

The Committee held an informal meeting with the Permanent

Secretary/Secretary to the Cabinet and Head of the Public Service. The Head of Public Service stressed for a closer working relationship between the Government and the Committee in addressing matters affecting the management of State Corporations and country resources.

MINUTE NO.404/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Twelve O'clock until Friday 3rd December, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **8th February, 2000**

MINUTES OF THE FIFTY FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD ON FRIDAY 3RD DECEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. David Kombe, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY:

Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang', M.P.
Hon. John K. Sambu, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	-	Finance Manager
Mr. R.O. Onyuna	-	Senior Economist

MINUTE NO.405/99 **COURTESY CALL ON THE DISTRICT COMMISSIONER, KILIFI**

The Committee paid a courtesy call on the District Commissioner and briefed him on the projects scheduled for inspection.

The District Commissioner expressed his gratitude for the Committee's visit and urged the Committee to explore all avenues with a view to reviving Kenya Cashewnut Factory in Kilifi.

Thereafter, the Committee left for Kenya Cashewnut Factory.

MINUTE NO.406/99 **INSPECTION TOUR OF KENYA CASHEWNUT FACTORY (KILIFI)**

The Committee made an extensive tour of the Factory and was informed as follows:-

(i) No activity was going on at the Factory since its closure in 1998 and farmers are now selling their cashewnuts to Mombasa Cashewnut Ltd.

(ii) Signon Freight Ltd has engaged 14 security guards to protect the factory and the guards are occupying the staff houses.

(iii) Kilifi District Development Programme is currently using the factory's godown to store maize.

(iv) Out of the total 240 machine/equipments in the factory, 20 have since been shifted to Bixa Ltd by its directors who at one time were running Kenya Cashewnuts Ltd.

(v) 3052 former employees were declared redundant and agents were owed alot of money at the time of the factory closure.

The Committee observed with concern that the Coastal people have been deprived of their livelihood by the collapse of the Company.

MINUTE NO.407/99 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY:

Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang', M.P.
Hon. John K. Sambu, M.P.
Hon. David Kombe, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	-	Finance Manager
Mr. R.O. Onyuna	-	Senior Economist

MINUTE NO.408/99 **INSPECTION TOUR OF KENYA POSTS & TELECOMMUNICATIONS CORPORATION PLOT IN MALINDI**

Members of the Committee arrived at Telkom Head Office in Malindi at thirty minutes past Two'Oclock and were met by the management team of Telkom Kenya Ltd being led by the Managing Director, Mr. Augustine Cheserem.

Thereafter the Committee made an extensive tour of the Plot and was informed that:-

(i) The Plot measuring 1.73 acres was bought in 1997 for Kshs.10 million from Malindi Municipal Council to put up Corporation's offices in Malindi.

(ii) The Corporation had spent Kshs.52 million on design work before the plot was acquired.

(iii) The Corporation acquired the said plot with incumbrances.

The Committee observed with concern that:-

MINUTE NO.361/99 MATTERS ARISING

(i) **ADDITIONAL INFORMATION**

Under Minute No.358/99, the Committee directed the Treasury to explain in writing why an amount of Kshs.734.1 million approved in the Development Estimates was not disbursed to Kenya Industrial Estates.

(ii) **ADOPTION OF THE PROGRAMME FOR THE PROPOSED INSPECTION TOUR IN COAST PROVINCE**

(a) The Committee adopted the programme for its proposed inspection tour in Coast Province scheduled to commence on Thursday 11th - Tuesday 16th November, 1999.

(b) The Committee directed that the following should be present during the proposed inspection tour:-

(i) The Chief Executives of the Corporations to be inspected.

(ii) Representatives of the Parent Ministries.

(iii) Representatives of the Office of the Auditor-General (Corporations).

(iv) Representatives of the Office of the Inspectorate of State Corporations.

(v) Representatives of the Treasury (DGIPE).

MINUTE NO.362/99 EVIDENCE

The Report and Accounts of Lake Basin Development Authority for the year 1994/95 and the certificate thereon by the Auditor-General (Corporations).

Dr. J.B. Amayi, Managing Director of Lake Basin Development Authority accompanied by Messrs:- Margaret Nyakango, Financial Controller; Lukio Agonda, Ag. Project Co-ordinator; Kabok P. Aguko, Chief Engineer; and W.A. Onono, Deputy Secretary, Ministry of Agriculture and Rural Development; appeared before the Committee and gave

evidence on the accounts of the Authority for the year 1994/95.

MINUTE NO.363/99 **DEFERRED EVIDENCE -PARAGRAPH 2 OF 1994/95 ACCOUNTS -FINANCIAL POSITION**

1. The Committee directed the Chief Executive to submit the following information by Friday 5th November, 1999.

   (i) A comprehensive write-up on the projects undertaken by the Authority detailing their source of funding and the reasons for stalling.

   (ii) A detailed breakdown on how the overdraft from National Bank of Kenya has been expended.

2. The Committee further directed that Mr. S. Obura, former Managing Director appear before it at a later date with the management.

MINUTE NO.364/99 **DEFERRED EVIDENCE PARAGRAPH 4 OF 1994/95 ACCOUNTS - STALLED HEADQUARTERS BUILDING AND STAFF HOUSING PROJECT**

The Committee directed the Chief Executive to submit the following information to the Auditor-General (Corporations) by Friday 5th November, 1999 for verification.

1. Pre-qualification tender documents for the said project.

2. Contract agreements between the contractors and the Authority for the said project.

MINUTE NO.365/99 **DEFERRED EVIDENCE PARAGRAPH 5 OF 1994/95 ACCOUNTS - BANK OVERDRAFT**

The Committee deferred taking evidence on the said paragraph to a later date.

MINUTE NO.366/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Thirty Minutes past Twelve O'clock until Monday 1st November, 1999 at 2.30 p.m.

SIGNED: Hon. Mwangi Githiomi, M.P.

CHAIRMAN

DATE: 8th November, 1999

MINUTES OF THE FORTY SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN CONFERENCE ROOM NO.7, PARLIAMENT BUILDINGS ON MONDAY 1ST NOVEMBER, 1999 AT 2.30 P.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Joseph A. Donde, M.P.
Hon. P.K.M. Sang', M.P.
Hon. G.M. Parpai, M.P.
Hon. Peter K. Kaindi, M.P.
Hon. John K. Sambu, M.P.
Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY:

Hon. Ochilo Ayacko, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Sayyid Amin, M.P.
Hon. David Kombe, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Ag. Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. Z.T. Komora	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	-	Finance Manager

INSPECTORATE OF STATE CORPORATIONS

Mr. E.N. Ngige	-	Principal Assistant Inspector

MINUTE NO.367/99 EVIDENCE

The Report and Accounts of Kenya Ports Authority for the year 1996/97 and the certificate thereon by the Auditor-General (Corporations).

(i) **The Corporation acquired the plot without budgetary allocations hence the plot has remained undeveloped to-date.**

(ii) **The Corporation had identified the said plot but declined the offer made by the Commissioner of Lands and later purchased the said plot from the Municipal Council through a nominee.**

(iii) **The title deed was transferred directly to the Corporation as a grant before the sale agreement was executed thereby implying that the Corporation did not pay the Municipal Council for the plot.**

MINUTE NO.409/99 **EVIDENCE**

The Report and Accounts of Kenya Posts and Telecommunications Corporation for the year 1995/96 and the certificate thereon by Auditor-General (Corporations)

Mr. Augustine Cheserem, Managing Director of Telkom Kenya Ltd accompanied by Messrs:- A.N. Nzano, General Manager (Finance & Accounts); S.D. Kamau, Manager (Financial Accounting); J.K. Naswan, Manager (Architectural Services); D. Musau, Regional Manager (Malindi); P. Mutinda, Company Secretary; and Semo Nyakenyanya, Under Secretary, Ministry of Information, Transport and Communication; appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1995/96.

MINUTE NO.410/99 **ADDITIONAL EVIDENCE - MALINDI PLOT**

1. The Committee directed that the following should appear before it at a later date together with the management in connection with the said plot.

   (i) Mr. John Mutai, former Managing Director of the Corporation

   (ii) Clerk of the Municipal Council who handled the transaction.

   (iii) Commissioner of Lands.

2. The Committee further directed the Chief Executive to obtain current valuation of the said plot from the Chief Government Valuer.

Thereafter the Committee left for National Housing Corporation, Sabaki Housing Project in Malindi.

MINUTE NO.411/99 **INSPECTION TOUR OF NATIONAL HOUSING CORPORATION - SABAKI HOUSING PROJECT IN MALINDI**

Member of the Committee arrived at the Corporation's housing project site at thirty minutes past Three O'clock and were met by the management team being led by the Managing Director, Mr. Lawi Kiplagat.

The Committee made an extensive tour of the housing project and was informed that:-

(i) The housing project was originally started by M/s Sabaki enterprises Ltd by putting up 4 sample housing units and the Company later approached the Corporation for a joint venture in developing the remaining units.

(ii) The housing project stands on a 5 acre plot and a total of 22 units comprising of 4 different types of houses are being developed at a cost of Kshs. 17 million.

(iii) The Corporation has since discarded the joint venture with the contractor for a partnership relationship and has decided to pay the contractor for the services already rendered.

(iv) The housing project is 95% complete and the discharge of charges on the 5 acre plot has been given by the Bank and is only awaiting the Municipal Council approval.

The Committee observed with concern that:-

(i) The Corporation was executing a housing project worth Kshs.17 million without a formal agreement between the Corporation and the contractor formerly partner.

(ii) There is apparent wilful negligent on the part of the Corporation to handle the transaction on the housing project of such magnitude casually.

MINUTE NO.412/99 EVIDENCE

The Report and Accounts of National Housing Corporation for the years 1995/96 - 1996/97 and the certificate thereon by Auditor-General (Corporations).

Mr. Lawi Kiplagat, Managing Director of National Housing Corporation accompanied by Messrs:- J.A. Shikumo, Technical Manager; W.M. Wepukhulu, Finance Manager; E.W. Mbugua, Corporation Secretary; A.A. Omar, Officer in charge of Coast Region; D. Rimmi, Building Supervisor; Kantilal Kukadia, Contractor, Sabaki Estate; Ramesh Kukadia, Contractor; and Philip Sika, Ag. Chief Architect, Ministry of Roads and Public Works; appeared before the Committee and gave evidence on the accounts of National Housing Corporation for the years 1995/96 - 1996/97.

MINUTE NO.413/99 ADDITIONAL INFORMATION - SABAKI HOUSING PROJECT

1. The Committee directed the Chief Executive to submit the following information by 31st December, 1999.

   (i) A copy of a legally binding contract agreement between the Corporation and the Contractor on the ownership of the land and the housing project.

   (ii) A copy of the Board Minutes that approved the joint venture between the Corporation and the Contractor.

   (iii) A comprehensive write up on the housing project detailing the following:-

   - The terms of the earlier joint venture arrangement.
   - The terms of the current revised partnership relationship.
   - Construction works done and funds invested in the project to-date.

2. The Committee further directed the parent Ministry to undertake an independent valuation of the housing project.

MINUTE NO.414/99 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Five O'clock until Saturday 4th December, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **18th February, 2000**

MINUTES OF THE FIFTY FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT NATIONAL WATER CONSERVATION & PIPELINE CORPORATION BOARDROOM IN MALINDI ON SATURDAY 4TH DECEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. David Kombe, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang', M.P.
Hon. John K. Sambu, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	-	Finance Manager
Mr. R.O. Onyuna	-	Senior Economist

MINUTE NO.415/99 **INSPECTION TOUR OF NATIONAL WATER CONSERVATION AND PIPELINE CORPORATION**

Members of the Committee arrived at the Corporation's field office in Malindi at Nine O'clock and were met by the management team being led by the Managing Director, Dr. P.K. Punyua.

Thereafter, the Committee assembled in the Corporation's Boardroom.

MINUTE NO.416/99 **EVIDENCE**

The Report and Accounts of National Water Conservation and Pipeline Corporation for the year 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Dr. P.K. Punyua, Managing Director of National Water Conservation and Pipeline Corporation accompanied by Messrs:- Eng. M.O. Ochieng, Chief Development Services Manager; Eng. M.M. Sabuke, Chief Regional Manager (Coast) and J.Z.N. Kihumba, Regional Manager (North Coast); appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1996/97.

MINUTE NO.417/99 **INSPECTION TOUR OF WATER PROJECTS**

The Committee made an extensive tour of the following water projects which are currently not operational.

(i) **KWALENYA INTAKE**

The Committee was informed that the intake has a capacity of 2000 cubic metres.

(ii) **GANDA BOREHOLE**

The Committee was informed that the borehole has a capacity of 1500 cubic metres and is to be used for future monitoring.

The Committee was further informed that:-

(i) The water project serves Mombasa, Malindi and Watamu towns together with those residing along the water pipeline.

(ii) Prior to the development of Baricho Water Works, the Corporation was using the boreholes to supply water.

(iii) Current inadequate bulk water supply has been occasioned by inadequate water distribution system. The Corporation has addressed the problem and secured funding from Germany as a grant.

(iv) The parent Ministry has gazetted the new water tariffs which will enhance commercialisation.

(v) 78% of the Corporation's revenue is used for water system maintenance and the Corporation is in dire need of capital injection to assist in water treatment and system maintenance.

(vi) The Corporation is pursuing title documents for the parcels of land earmarked for building water storage tanks for on-line distribution.

The Committee observed that the Corporation has not been supplying quality water and this has occasioned water related diseases which has impacted negatively on tourist hotels and residence in Coast region.

The Committee further observed that the Corporation is focusing on the new water system and neglecting the old system without proper maintenance.

MINUTE NO.418/99 ADJOURNMENT

The Chairman adjourned the meeting at One O'clock until Monday 6th December, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **18th February, 2000**

MINUTES OF THE FIFTY SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD ON MONDAY 6TH DECEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. David Kombe, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. P.K.M. Sang', M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali I. Shabaan, M.P.

ABSENT WITH APOLOGY:

Hon. J. Sambu, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. S.W. Ndindiri	-	Clerk of the National Assembly
Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. Maluki	-	Auditor-General (Corporations)
Mr. E. N. Wambugu	-	Director of Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	-	Finance Manager
Mr. R.O. Onyuna	-	Senior Economist

MINUTE NO.419/99 INSPECTION TOUR OF WESTMONT POWER (KENYA) LTD

Members of the Committee arrived at Westmont Power (Kenya) Ltd at Nine O'clock and were met by the management team. Thereafter the Committee assembled in the Company's Boardroom.

MINUTE NO.420/99 **EVIDENCE**
WESTMONT POWER (KENYA) LTD

Mr. Oot Tan, Chief Executive of Westmont (K) Ltd accompanied by Messrs:- Malcom Mckechnie, Plant Manager; Patrick Owino, Mechanical Engineer; Joshua Arowi, Accountant; S.B. Char, Manager (Westmont Malaysia); Samuel Gichuru, Managing Director, Kenya Power & Lighting Company; Jasper Oduor, Chief Manager, Energy Transmission; and John Ombui, Coast Area Manager; appeared before the Committee and gave evidence on the operations of Westmont Power (K) Ltd.

MINUTE NO.421/99 **INSPECTION TOUR OF THE POWER PLANT**

The Committee made an extensive tour of the Power Plant and was informed as follows:-

(i) Westmont Power (K) is an independent power producer that sells its bulk power to Kenya Power & Lighting Company which in turn retails power to the consumers.

(ii) The Company signed a contract power supply agreement with the Kenya Power & Lighting Company in 1996.

(iii) The Company has been operational since 1996 until April 1999 when the plant broke down and resumed operation in November, 1999.

MINUTE NO.422/99 **ADDITIONAL INFORMATION**

The Committee directed the Managing Director of Kenya Power & Lighting Company to submit a copy of the contract power supply agreement between K.P & L.C. and Westmont (K) Ltd by 30th December, 1999.

MINUTE NO.423/99 **INSPECTION TOUR OF KENYA PORTS AUTHORITY**

Members of the Committee arrived at Kenya Ports authority at thirty minutes past Ten O'clock and were met by the Management team being led by the Chairman Mr. J.D. Mturi.

Thereafter the Committee assembled in the Authority's Boardroom.

MINUTE NO.424/99 **EVIDENCE**

The Report and Accounts of Kenya Ports Authority for the year 1996/97 and the certificate thereon by the Auditor-General (Corporation).

Mr. J.D. Mturi, Chairman of Kenya Ports Authority accompanied by Messrs:- V. Wa-Kayanda, Human Resources Controller; Francis Kinyeki, Operations Controller; James Mulewa, Ag. Financial Controller; Alex Kabuga, Marketing and Public Relations Manager; J.N. Imathiu, Principal Public Relations Officer; A. Samata, Ag. Chief Civil Engineer; David Dulu, Corporation Secretary; and Hezron Oluoch, Deputy Secretary, Ministry of Information, Transport and Communication; appeared before the committee and gave evidence on the accounts of the Authority for the year 1996/97.

MINUTE NO.425/99 **INSPECTION TOUR OF THE PORT**

The Committee made an extensive tour of the Port and was informed that:-

(i) The Authority is still considering critically how to privatise its services because it has a political dimension. Studies have been done by foreign experts and the Authority is still modifying the Hickling Report to suit the kenyan situation.

(ii) The Authority intends to discard monopoly by de-linking from day to day port operations and commercialise its cargo handling services to create a regime of competitive and efficient operations at the port.

(iii) The Authority is considering building additional 2 container freight stations to supplement berths 16, 17 and 18 due to increased port operations.

(iv) The performance of SGS has declined from 35 to 10 moves per hour. The decline has been occasioned by electronic breakdown and this has made the Authority to lose port business to other countries using Port Durban.

(v) The Authority has leased out one of its plots to M/s Grain Bulk Handling Ltd, for 99 years.

The Committee observed with concern that the authority has taken unnecessarily long to decide on whether to rehabilitate the old SGS or purchase a new one to improve Port efficiency.

MINUTE NO.426/99 **ADDITIONAL INFORMATION**

1. The Committee directed Mr. Mohammed Jeffer, the proprietor of Grain Bulk Handling Ltd to submit the following information by 31st December, 1999.

   (i) A copy of the lease agreement between the Company and the Authority for the leased plot.

   (ii) A copy of the feasibility study report on bulk grain project.

   (iii) A copy of the agreement stipulating tariffs payable to the Authority for the grains handled by the Company.

   (iv) Applications by the Company to the Authority since 1984 to run the project at the terminal and the approvals from the relevant authorities.

   (v) A copy of the wayleaves agreement.

2. The Committee further directed that the Directors of M/s Grain Bulk Handling Ltd appear before it at a later date.

MINUTE NO.427/99 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'Clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.

Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang', M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. John S. Sambu, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. Maluki	-	Auditor-General (Corporations)
Mr. E. N. Wambugu	-	Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	-	Finance Manager
Ms. R.O. Onyuna	-	Senior Economist

MINUTE NO.428/99 **INSPECTION TOUR OF EXPORT PROCESSING ZONE AUTHORITY PLOT IN MOMBASA**

Members of the Committee arrived at the Authority's plot at Three O'Clock and were met by the management team being led by the Managing Director, Mr. Samuel Bundotich.

The Committee was informed that the Authority is sourcing for funds to develop industrial sheds on the plot after M/s Rafiki Enterprises backed off from its original plan of developing the same.

MINUTE NO.429/99 **ADDITIONAL INFORMATION**

The Committee directed both the Chief Executive and the Auditor-General (Corporations) to verify the acreage of the Authority's plot and to do a search on the plot to confirm any incumbrances.

MINUTE NO.430/99 **INSPECTION TOUR OF INDUSTRIAL & COMMERCIAL DEVELOPMENT CORPORATION (ICDC)**

Members of the Committee arrived at the Corporation

godown at four O'Clock and were met by the management team being led by the Executive Director, Mr. K.K. Bett.

MINUTE NO.431/99 **EVIDENCE**

The Report and Accounts of Industrial and Commercial Development Corporation for the year 1995/96 and the certificate thereon by Ernest Young.

Mr. K.K. Bett, Executive Director of Industrial and Commercial Development Corporation accompanied by Messrs:- W. Shimanyula, Operations Manager; G.O. Nyagisere, Principal Project Officer; L.S. Mumba, Provincial Officer; J.C. Mwaura, Chief Accountant; I.B. Mogaka, Corporation Secretary and R.O. Oisebe, Chief Accountant, Ministry of Trade, Tourism & Industry; appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1995/96.

MINUTE NO.432/99 **INSPECTION TOUR OF THE SOYA OIL EXTRACTION PLANT**

The Committee was informed that:-

1. The genesis of the project dates back to 1989 when the project was conceived and after several discussions with the Government, the machinery for Phase 1 of the project which comprised of the extraction plant were acquired between 1992 - 1993.

2. M/s Savage Holdings Ltd approached the Corporation with a feasibility study on the same project and assisted in the sourcing of funds for the extraction plant which was obtained from Bank Indosuez.

3. The project was half funded as the refinery plant for Phase II which was supposed to be acquired through credit supply did not materialise and this occasioned the non take off of the project.

4. The Government was supposed to fund the development of the infrastructure and civil works which did not materialise hence the extraction plant has not been installed to-date.

5. The Corporation has been trying to source for potential buyers and one bidder had paid a deposit of Kshs.5 million but later backed off. The Corporation

is finding it difficult to source for buyers because the equipments are specific.

6. The Corporation has approached the supplier of the extraction plant machinery to bail it out and the supplier has sent a technician to assess the equipment with a view to repacking the same to meet the needs of the potential buyers.

7. The Corporation has demanded a rebate for the installation amount which was paid upfront since the machinery was never installed.

The Committee observed with concern that:-

1. **The haphazard manner in which the stalled project was executed by procuring the extraction plant machinery before the infrastructure and civil works were developed.**

2. **The Corporation has not to-date opened the containers to physically verify and confirm the shipment packing list with the actual equipments supplied.**

3. **The equipments have since been valued three times on unjustifiable basis in the absence of physical verification of the equipments.**

4. **Despite colossal amount of public funds invested in the project, the equipments acquired 7 years ago have not been put into proper economic use to-date.**

MINUTE NO.433/99 ADDITIONAL EVIDENCE

1. The Committee directed the Chief Executive to submit the following information by 31st December, 1999.

   (i) Documentary evidence in support of the Government commitment to the funding of infrastructure and civil works development.

   (ii) Directorship of M/s Savage Holdings Ltd.

2. The Committee further directed that the Permanent Secretary, Ministry of Tourism, Trade and Industry

should appear before it at a later date to give the Government official position on the equipments acquired 7 years ago for the stalled project.

MINUTE NO.434/99 ADJOURNMENT

The Chairman adjourned the meeting at Six O'clock until Friday 17th December, 1999 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **18th February, 2000**

MINUTES OF THE FIFTY SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUIdLDINGS ON FRIDAY 17TH DECEMBER, 1999 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. David Kombe, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. John Sambu, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ochilo Ayacko, M.P.

ABSENT WITH APOLOGY:

Hon. Ali I. Shabaan, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai - Clerk Assistant

MINUTE NO.435/99 **CONSIDERATION OF SITTING PROGRAMME**

The Committee considered the draft sitting programme and approved it with some amendments. It directed that the following Corporations be included in the programme: Kenya Power & Lighting Company, Kenya Wine Agencies Limited, Kenya Pipeline Company, Chemilil Sugar Co., Mumias Sugar Co., and Nzoia Sugar Co.,.

MINUTE NO.436/99 **SUMMONING WITNESSES**

The Committee directed that all witnesses who are supposed to appear before it must be summoned. The Committee also resolved that in cases where witnesses fail to appear, a process server method should be used.

MINUTE NO.437/99 **MESSAGE OF CONDOLENCE**

The Committee sent a message of condolence to Mrs Florence Abonyo - Committee Secretariat, National Assembly, following the demise of her brother Mr. Gordon Atenyo.

MINUTE NO.438/99 **ADJOURNMENT**

The Chairman adjourned the meeting at Twelve O'clock until a later date.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **18th February, 2000**

MINUTES OF THE FIFTY EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS ON TUESDAY 25TH JANUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. David Kombe, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY:

Hon. J. Sambu, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. Maluki	-	Auditor-General (Corporations)
Mr. E. N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. G.O. Osaho	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Deputy Programme Manager
Ms. B.S. Gathirwa	-	Accounts Controller

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector

MINUTE NO.439/2000 **EVIDENCE**

The Report and Accounts of Kenya Airports Authority for the year 1994/95 and the certificate thereon by the Auditor-General (Corporations).

Mr. M.S. Muriithi, Managing Director; Janet Ong'era, Deputy Managing Director; Joseph Mutua, General Manager (Finance); M. Mukwana, General Manager (Engineering Services); L.N. Moss, General Manager (Personnel & Administration); S.K. Nyamu, Head of Marketing; B.A. Omuse, former Managing Director; and J.F.A. Agili, Alternate Director, Office of the President; appeared before the Committee and gave evidence on the accounts of the Authority for the year 1994/95.

MINUTE NO.440/2000 **ADDITIONAL EVIDENCE - PARAGRAPH 1 OF 1994/95 ACCOUNTS - ACCURACY OF THE ACCOUNTS**

The Committee directed as follows:-

(i) The Office of the President to explain in writing the circumstances that led to the transfer of Mr. Njunge from the Authority to the Office of the President.

(ii) Mr. B. Omuse, former Managing Director to submit a write-up on how Kshs.6 million mysteriously disappeared.

(iii) Mr. B. Omuse, Mr. Patrick Mutemi and Mr. John Mirichi to appear before the Committee at a later date with the management.

(iv) The matter involving Mr. Mutemi and Mr. Njunge to be raised with the "Big Five".

MINUTE NO.441/2000 **ADDITIONAL EVIDENCE - PARAGRAPH 2 OF 1994/95 ACCOUNTS - CASH AND BANK BALANCES**

1. **Under Minute No.174/99,** the Committee directed the Chief Executive to submit the details of the reconciled cash and bank balances of Kshs.233,064,432 together with

supporting documents to the Auditor-General (Corporations) for verification.

2. The Committee further directed that Mr. B. Omuse, Mr. John Mirichi and Patrick Mutemi appear before it at a later date.

MINUTE NO.442/2000 **ADDITIONAL INFORMATION**

Under Minute No.177/99, the Committee directed Mr. E.M. Ngigi, Principal Assistant Inspector, Inspectorate of State Corporations to submit a comprehensive write-up on the documents submitted by Kenya Airports Authority by 4th February, 2000.

MINUTE NO.443/2000 **ADDITIONAL INFORMATION - PARAGRAPH 6 OF 1994/95 ACCOUNTS - REHABILITATION CONTRACT**

1. The Committee directed the Chief Executive to submit the following information by 8th February, 1999.

   (i) A comprehensive write-up on the rehabilitation of Jomo Kenyatta International Airport detailing the procurement, installation and commissioning.

   (ii) The rehabilitation cost of Moi International Airport, Mombasa.

2. The Committee further directed that the contractor currently rehabilitating Jomo Kenyatta Airport should appear before it at a later date.

MINUTE NO.444/2000 **ADDITIONAL INFORMATION - PARAGRAPH 8 OF 1994/95 ACCOUNTS - FIXED ASSETS**

The Committee directed the Auditor-General (Corporations) to verify the details of the vehicles excluded from the Authority's fixed assets schedule.

MINUTE NO.445/2000 **ADDITIONAL INFORMATION - PARAGRAPH 9 OF 1994/95 ACCOUNTS - TAXABLE ALLOWANCE**

The Committee directed the Chief Executive to submit a list detailing the names of the beneficiaries and action taken to tax the allowances paid to them by 10th February, 2000.

MINUTE NO.446/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until this afternoon at 2.30 p.m.

AFTERNOON

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. J. Sambu, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang', M.P.
Hon. David Kombe, M.P.
Hon. Ochilo Ayacko, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. E.H. Gikonyo	-	Deputy Director of Audit
Mr. S.W. Ochieng	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Deputy Programme Manager
Ms. B.S. Gathirwa	-	Accounts Controller

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng - Deputy Inspector of State Corporations

MINUTE NO.447/2000 **EVIDENCE**

The Report and Accounts of Kenya Broadcasting Corporation for the year 1994/95 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. S.M. Anabwani, Managing Director of Kenya Broadcasting Corporations accompanied by Messrs: Praxedes Otieno, Accounts controller; B.M. Ikonze, Credit Controller; Zachary Ochako, Ag. Manager & Personnel Services; Kipserem Maritim, Editor-in-Chief; A.W. Wahome, Internal Auditor; J.N. Kivuitu, Superintending Engineer; W.I. Ikapel, Corporation Secretary; and Titus T. Naikuni, Permanent Secretary, Ministry of Information, Transport and Communication; appeared before the Committee and gave evidence on the accounts of the Corporation for the years 1994/95 - 1996/97.

MINUTE NO.448/2000 **DEFERRED EVIDENCE - PARAGRAPH 1 OF 1994/95 ACCOUNTS - FINANCIAL POSITION**

Under Minute No.346/99(2), the Committee directed that Mr. Philip Okundi, former Managing Director of the Corporation appear before it at a later date.

MINUTE NO.449/2000 **ADDITIONAL INFORMATION - PARAGRAPH 5 OF 1994/95 ACCOUNTS - INSURANCE OF PROPERTY OF THE CORPORATION**

The Committee directed the Chief Executive to submit the following information by Friday 28th January, 2000.

(i) Tender documents for the valuation of the Corporation's assets.

(ii) Valuation Report(s)

(iii) Board Minutes that approved the appointment of M/s Lloyd Masika to undertake the

MINUTE NO.450/99 **ADDITIONAL INFORMATION - PARAGRAPH 2 OF 1995/96 ACCOUNTS - DEBTORS**

1. The Committee directed the Chief Executive to submit the following information by Friday 28th January, 2000:-

   (i) A list of officers who misplaced the invoices thereby occasioning unsupported debts.

   (ii) A breakdown of Kshs.14,054,451 in respect of Extra-Ordinary items.

2. The committee further directed that the concerned officers should appear before it at a later date.

3. The Committee also directed the Chief Executive to submit the details of debtors reconciliations by 31st March, 2000.

MINUTE NO.451/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Six O'clock until Wednesday 20th January, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **18th February, 2000**

MINUTES OF THE FIFTY NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON WEDNESDAY 26TH JANUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang', M.P.
Hon. John Sambu, M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. Maluki	-	Auditor-General (Corporations)
Mr. E. N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. E. Odede	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary
Mr. R.O. Onyuna	-	Senior Economist

INSPECTORATE OF STATE CORPORATIONS

Mr. R.E. Ndubai	-	Principal Assistant Inspector

MINUTE NO.452/2000 **NON-APPEARANCE OF THE MANAGEMENT OF KENYA TEA DEVELOPMENT AUTHORITY**

The Committee was informed that the Permanent Secretary, Ministry of Agriculture & Rural valuation exercise.

Development together with the management of Kenya Tea Development Authority was appearing before the Departmental Committee on Agriculture, Lands and Natural Resources.

Consequently, the Committee deferred taking evidence on the Accounts of Kenya Tea Development Authority for the year 1994/95 to a later date.

MINUTE NO.453/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Ten O'clock until Thursday, 27th January, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **18th February, 2000**

MINUTES OF THE SIXTIETH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON THURSDAY 27TH JANUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang', M.P.
Hon. John Sambu, M.P.

ABSENT WITH APOLOGY:

Hon. Ali I. Shabaan, M.P.
Hon. David Kombe, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. Maluki	-	Auditor-General (Corporations)
Mr. E. N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. E. Odede	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist

MINUTE NO.454/2000 **EVIDENCE**

The Report and Accounts of Agricultural Finance Corporation for the year 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. G.K. Toroitich, Managing Director of Agricultural Finance Corporation accompanied by Messrs:- J.M. Kimonge, Chief Internal Audit; F.S.

Wanyama, Financial Controller; Ruth Otima, Technical Service Controller; S.A. Abogi, Chief Accountant; and M. Matemu, Corporation Secretary; appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1996/97.

MINUTE NO.455/2000 **ADDITIONAL INFORMATION - PARAGRAPH 2 OF 1996/97 - MOTOR VEHICLE SPARES AND REPAIRS**

1. The Committee directed the Chief Executive to submit the following information by Friday 4th February, 2000.

   (i) A copy of the Logbook for vehicle registration No.KAA 906 M.

   (ii) A detailed explanation of case by case, as to why the Corporation did not procure motor vehicle spares from the lowest quoted bidders.

2. The Committee further directed the Chief Executive to register the said vehicle in blue number plate in accordance with the State Corporations vehicles regulations.

MINUTE NO.456/2000 **DEFERRED EVIDENCE - PARAGRAPH 3 OF 1996/97 ACCOUNTS - STAFF PENSION FUND**

Under Minute No.26/99 (iv), the Committee was informed that both the Governor of Central Bank of Kenya and the Permanent Secretary, Treasury could not appear before it due to their involvement with the International Monetary Fund team.

Consequently, the Committee deferred taking evidence on the said paragraph to a later date.

MINUTE NO.457/2000 **ADDITIONAL INFORMATION - PARAGRAPH 4 OF 1996/97 ACCOUNTS - DEBTORS**

1. **Under Minute No.27/99 (iii),** the Committee directed the Chief Executive to submit the valuation reports for the 3 parcels of land charged as securities by Friday 4th February, 2000.

2. The Committee further directed the Chief Executive to expedite the sale of the parcel of land in Kasarani with a view to recovering Kshs.57 million owed to it by Agrarian Building Society and give a feedback by 28th February, 2000.

3. The Committee further resolved to inspect the Corporation's parcel of land in Kasarani on Tuesday 1st February, 2000.

MINUTE NO.458/2000 **DEFERRED EVIDENCE - 1996/97 ACCOUNTS - PARAGRAPH 6 - REDEEMABLE LOANS PARAGRAPH 7 - RESTRUCTURING**

The Committee deferred taking evidence on the said paragraphs and directed the following to appear before it at a later date.

(i) Permanent Secretary, Ministry of Agriculture
(ii) Permanent Secretary, Treasury

MINUTE NO.459/2000 **EVIDENCE**

The Report and Accounts of Agricultural Finance Corporation Agency Seasonal Crop Credit for the years 1995/96 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. G.K. Toroitich, Managing Director of Agricultural Finance Corporation accompanied by his team appeared before the Committee and gave evidence on the accounts of AFC - Agency Seasonal Crop Credit for the years 1995/96 - 1996/97.

MINUTE NO.460/2000 **DEFERRED EVIDENCE 1995/96 - 1996/97 ACCOUNTS - AFC AGENCY SEASONAL CROP CREDIT**

The Committee deferred taking evidence on the said accounts and directed that the following appear before it at a later date.

(i) Permanent Secretary, Ministry of Agriculture
(ii) Permanent Secretary, Treasury

MINUTE NO.461/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Twelve O'clock until Friday 28th January, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **18th February, 2000**

MINUTES OF THE SIXTY FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 (PARLIAMENT BUILDINGS ON FRIDAY 28TH JANUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. John Sambu, M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. Maluki	-	Auditor-General (Corporations)
Mr. E. N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. Z. T. Komora	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist

MINUTE NO.462/2000 **EVIDENCE**

The Report and Accounts of Kenya Ports Authority for the year 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. Brown M.M. Ondego, Managing Director of Kenya Ports Authority accompanied by Messrs:- J. Mulewa, Financial Controller; P.G. Njari, Head of Internal Audit; A. Sarmata, Chief Civil Engineer; J.O. Lukiri, Financial Accountant; G. Dulu, Corporation

Secretary/Head of Legal Services; W.K. Maina, Director, Facta Construction Company Ltd.; Mohammed H. Jaffer, Chairman, Grain Bulk Handlers Ltd; A.S. Anjarwalla, Director; and S.M. Kinuthia, Under Secretary, Ministry of Information, Transport and Communication; appeared before the Committee and gave evidence on the Accounts of the Authority for the year 1996/97.

MINUTE NO.463/2000 **ADDITIONAL EVIDENCE - PARAGRAPH 2 OF 1996/97 ACCOUNTS - INLAND CONTAINER DEPOT (ELDORET)**

1. The Committee directed the Chief Executive to submit the following information by Friday 4th February, 2000.

   (i) Copies of both the original and revised Bills of Quantities.

   (ii) An analysis of the amounts quoted by the pre-qualified tenderers.

2. The Committee further directed that the following should appear before it at a later date.

   (i) Eng. Philip Okundi, former Managing Director.

   (ii) Mr. A.C. Mumba, former Managing Director

   (iii) Mr. O.E. Njiru, former Chief Civil Engineer.

MINUTE NO.464/2000 **ADDITIONAL EVIDENCE - PARAGRAPH 3 OF 1996/97 ACCOUNTS - LAND WITHOUT TITLE**

The Committee directed that the Commissioner of Lands appear before it at a later date in connection with the Authority's plots in Kipevu.

MINUTE NO.465/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at fifteen minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. G.M. Parpai, M.P.
Hon. John Sambu, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. Maluki	-	Auditor-General (Corporations)
Mr. E. N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. Z. T. Komora	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist

MINUTE NO.466/2000 **EVIDENCE**

The Report and Accounts of Kenya Ports Authority for the year 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. Brown M.M. Ondego, Managing Director of Kenya Ports Authority accompanied by his team re-appeared before the Committee and gave further evidence on the accounts of the Authority for the year 1996/97.

MINUTE NO.467/2000 **ADDITIONAL EVIDENCE - M/S GRAIN BULK HANDLERS LTD**

1. The Committee directed the Chief Executive to submit the Board Minutes that deliberated on the leasing out of the Authority's land to M/s Grain Bulk Handlers Ltd.

2. The Committee further directed that the following should appear before it at a later date in connection with the Grain Bulk project.

(i) Mr. Philip Okundi - former Managing Director
(ii) Mr. A.C. Mumba "
(iii) Hon. Simon Mkalla "
(iv) Mr. Robert Brenneisen "
(v) L.J. Mwangola "
(vi) Hon. Amos Wako, Attorney-General
(vii) Permanent Secretary, Ministry of Agriculture
(viii) Mr. Mohammed Jaffer, Chairman, Grain Bulk Handlers Ltd
(ix) Commissioner of Lands together with his Officers from Mombasa Office.

MINUTE NO.468/2000 **DEFERRED EVIDENCE - 1996/97 ACCOUNTS**

The Committee deferred taking evidence on paragraphs 4 - 10 of the said accounts.

MINUTE NO.469/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Five O'clock until Monday 31st January, 2000 at 2.30 p.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**
CHAIRMAN

DATE: **18th February, 2000**

MINUTES OF THE SIXTY SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON MONDAY 31ST JANUARY, 2000 AT 2.30 P.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. John Sambu, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali I. Shabaani, M.P.
Hon. Joseph A. Donde, M.P.

ABSENT WITH APOLOGY:

Hon. Peter K. Kaindi, M.P.
Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. Maluki	-	Auditor-General (Corporations)
Mr. E. N. Wambugu	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. C.N. Nyanjuki	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. G.M. Mitine	-	Investment Secretary
Mr. C.S. Barasa	-	Deputy Secretary
Mr. D.A. Ongati	-	Accountant I

INSPECTORATE OF STATE CORPORATION

Mr. C.B. Ochieng	-	Deputy Inspector of State Corporations

MINUTE NO.470/2000 **EVIDENCE**

The Report and Accounts of South Nyanza Sugar Company for the year 1995/96 and the certificate thereon by Auditor-General (Corporations).

Mr. Jack Maclean, General Manager of South Nyanza Sugar Company accompanied by Messrs:- Patrick Ojera, Financial Controller; Silvester Nyamsando, Financial Accountant; J.O. Aoll, Company Secretary; Phares Oluoch Kanindo, Chairman; N. Odumbo, Director; Maurice Kwame, Director; Mary Siparo, Director; Thomas N. Makeni, Director; Ben Yars, Director; F.M. Chahonyo, Director, Prof. Shem E. Migot-Adholla, Permanent Secretary, Ministry of Agriculture and Rural Development; A.M. Gakure; Deputy Secretary; and Njeri Mwangi, Alternate Director, Attorney-General's Chambers; appeared before the Committee and gave evidence on the accounts of the Company for the year 1995/96.

MINUTE NO.471/2000 **ADDITIONAL EVIDENCE PARAGRAPH 3 OF 1995/96 ACCOUNTS - SUGAR DEBTORS**

The Committee directed that the former General Manager should appear before it to explain how the Company sold and invoiced sugar during the year under review.

MINUTE NO.472/2000 **ISSUES TO BE RAISED WITH THE "BIG FIVE"**

The Committee resolved to raise the issue of technical management of sugar companies with the "Big Five".

MINUTE NO.473/2000 **TECHNICAL MANAGEMENT OF SOUTH NYANZA SUGAR COMPANY (SONY)**

The Committee directed the Permanent Secretary, Ministry of Agriculture to urgently discuss with the Head of the Public Service, the issue regarding Technical Management of SONY Sugar Company.

MINUTE NO.474/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at fifteen minutes past Six O'clock until Tuesday 1st February, 2000 at 9.00 a.m.

SIGNED: Hon. Mwangi Githiomi, M.P.

CHAIRMAN

DATE: 18th February, 2000

MINUTES OF THE SIXTY THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON TUESDAY 1ST FEBRUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.

ABSENT WITH APOLOGY:

Hon. Ali Shabaan, M.P.
Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Deputy Programme Manager

MINUTE NO.475/2000 **EVIDENCE**

The Report and Accounts of National Oil Corporation of Kenya for the year 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. Francis K. Moiywo, Managing Director of National Oil Corporation of Kenya accompanied by Messrs:- J. Nyamongo, Chief Accountant; H.K. Kili, Company Secretary; and D.R.O. Riaroh, Chief Geologist, Ministry of Energy; appeared before the

Committee and gave evidence on the accounts the Corporation for the year 1996/97.

MINUTE NO.476/2000 **ADDITIONAL INFORMATION - PARAGRAPH 3 OF 1996/97 - PROVISION FOR BAD DEBTS**

The Committee directed the Chief Executive to submit the following information by Tuesday 9th February, 2000.

(i) A detailed breakdown of the amounts being disputed by each oil company.

(ii) **Under Minute No.355/99,** the Chief Executive to give a progress report on the recovery of US$ 125,000 banked by a consultant in United States of America.

MINUTE NO.477/2000 **PAPERS LAID**

The Chief Executive tabled the following papers during the deliberations of the Committee.

(i) A copy of a letter from the Permanent Secretary, Ministry of Energy to the then Managing Director, Mr. J.K. Kwambai regarding crude oil supply.

(ii) A copy of a letter from the Permanent Secretary, Ministry of Energy to the then Financial Secretary, Mr. A.H. Ali regarding the importation of petroleum products in short supply.

MINUTE NO.478/2000 **INSPECTION TOUR OF AGRICULTURAL FINANCE CORPORATION PLOT IN KASARANI**

Members of the Committee arrived at Kasarani at Eleven O'clock accompanied by the management team comprising of: Mr. F.S. Wanyama, Financial Controller; Ms R.M. Otima, Technical Services Co-ordinator; M.M. Matemu, Corporation Secretary; and K.M. Kimonge, Chief Internal Auditor.

The Committee was informed that:-

(i) The plot is measuring 100 acres and is currently being guarded by Apex Security Services Company to ensure that the land is free from any incumbrances.

(ii) The Corporation is pursuing the receiver/manager to sell the land by private treaty.

The Committee observed with concern that:-

(i) The boundaries of the plot have not been established and beacons not yet erected by the receiver/manager.

(ii) The land is over-valued and this has made the disposal of the land difficult.

The Committee recommends that the Corporation should re-value that plot with a view to obtaining its realistic value to enable the sale of the plot.

MINUTE NO.479/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until this afternoon at 2.30 p.m.

AFTERNOON

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. P.K. Kaindi, M.P.
Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. H.O. Wanyama	-	Assistant Director of Audit
Mr. P.O. Ogola	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector

MINUTE NO.480/2000 **EVIDENCE**

The Report and Accounts of Kenya Medical Research Institute for the year 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Dr. Davy K. Koech, Director of Kenya Medical Research Institute accompanied by Messrs:- D.M. Ngumo, Deputy Director (Administration & Finance); R.A. Kirui, Chief Finance Officer; and S.M. Mwangi, Under Secretary/Finance, Ministry of Health; appeared before the Committee and gave evidence on the accounts of the Institute for the year 1996/97.

MINUTE NO.481/2000 **PAPERS LAID**

The Chief Executive tabled the following papers during the Committee's deliberations.

(i) A copy of the letter from the Institute to the Criminal Investigation Department regarding the misappropriation of N.H.I.F. stamps by Mr. Absalom M'Mbwanga Agavihi.

(ii) A copy of the response letter from the Criminal Investigation Department to the

Institute regarding the said case.

MINUTE NO.482/2000 **ISSUES TO BE RAISED WITH THE 'BIG FIVE'**

The Committee resolved to raise the following issues with the 'Big Five'.

(i) Non apprehension and prosecution of Mr. Absalom M.Mbwanga Agavihi for misappropriation of N.H.I.F. stamps.

(ii) Justification for transferring the department of National Aids Council from the relevant Health Ministry to the Office of the President instead.

MINUTE NO.483/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Four O'clock until Wednesday 2nd February, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **18th February, 2000**

MINUTES OF THE SIXTY FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON WEDNESDAY 2ND FEBRUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. David Kombe, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.

ABSENT WITHOUT APOLOGY:

Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E. N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. H. Wanyama	-	Assistant Director Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr.S.A.M. Kitungu	-	Principal Economist

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector

MINUTE NO.484/2000 **EVIDENCE**

The Report and Accounts of National Cereals and Produce Board for the year 1995/96 and the certificate thereon by the Auditor-General (Corporations).

Maj. (Rtd) W.K. Koitaba, Managing Director of National Cereals and Produce Board accompanied by Messrs: W.K. Maina, General Manager (Finance & Administration); S.K. Muhihu, General Manager (Marketing); R.K. Langat, Technical Manager; C.S. Khaemba, Chief Accountant; A.G. Kamau, Chief Legal Officer; W.K. Chelashaw, former Managing Director; Prof. Shem Migot-Adhola, Permanent Secretary, Ministry of Agriculture and Rural Development; Ngethe Mbugua, Deputy Secretary; J.K. Gichuhi, Chief Finance Officer, Z.K. Cheruiyot, Permanent Secretary, Provincial Administration; E. Muli Mbusi, Chief Finance Officer; and J.M. Ndweyi, Principal Accounts Controller; appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1995/96.

MINUTE NO.485/2000 **ADDITIONAL INFORMATION - PARAGRAPH 2.4 OF 1995/96 ACCOUNTS - OTHER DEBTORS**

The Committee directed the former Managing Director Mr. W.K. Chelashaw to submit the following information by 16th February, 2000.

(i) A copy of his letter of appointment.

(ii) A copy of the letter indicating the date when he left the Board's employment.

(iii) Copies of the L.P.Os in respect of the gunny bags.

(iv) Copies of the following letters:-

Ref.C/4A dated 4/9/1986
Ref.JC/4A dated 28/9/1986
Ref.JC/4A/11 dated 18/11/1986
Ref.BAG/2/VIII dated 19/11/1986
Ref.JC/4Aa/11 dated 5/3/1987

MINUTE NO.486/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until this afternoon at 2.30 p.m.

AFTERNOON

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITHOUT APOLOGY:

Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. H. Wanyama	-	Assistant Director Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. F.W. King'ori	-	Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector

MINUTE NO.487/2000 **EVIDENCE**

The Report and Accounts of National Cereals and Produce Board for the year 1995/96 and the certificate thereon by the Auditor-General (Corporations).

Maj. (Rtd) W.K. Koitaba, Managing Director of National Cereals & Produce board accompanied by Messrs:- W.K. Maina, General Manager (Finance & Administration; S.K. Muhihu, General Manager

(Marketing); R.K. Langat, Technical Manager; C.S. Khaemba, Chief Accountant; A.G. Kamau, Chief Legal Officer; and Ngethe Mbugua, Deputy Secretary, Ministry of Agriculture & Rural Development re-appeared before the Committee and gave further evidence on the accounts of the Corporation for the year 1995/96.

MINUTE NO.488/2000 **ADDITIONAL INFORMATION - PARAGRAPH 3.0 OF 1995/96 - OPERATING STOCKS**

The Committee directed the Chief Executive to submit an analysis of stock losses by members of staff detailing the amount recovered, outstanding and those receiving legal attention by 10th February, 2000.

MINUTE NO.489/2000 **ADDITIONAL INFORMATION - PARAGRAPH 4.0 OF 1995/96 - SALE OF SUBSIDIARY COMPANIES (KENYA CASHEWNUTS)**

1. The Committee directed the Permanent Secretary, Ministry of Agriculture and Rural Development to give a written response on the implementation status of the recommendations made in its Eighth Report under paragraph 4.1 of National Cereals and Produce Board 1994/95 accounts.

2. The Committee further resolved to raise the issue regarding the implementation status of the sale of Kenya Cashewnuts Ltd with the 'Big Five'.

MINUTE NO.490/2000 **DEFERRED EVIDENCE 1995/96 ACCOUNTS**

Paragraph 5 - Other creditors and provisions.

Paragraph 6 - Insurance expenses and unsettled insurance claims.

MINUTE NO.491/2000 **ANY OTHER BUSINESS - FORMER WHEAT BOARD OF KENYA**

1. The Committee directed the Inspector of State Corporations to submit a detailed write-up on the status of the stores owned by the former Wheat Board of Kenya and in particulary the store currently used by Uchumi Supermarket

in Eldoret.

2. The Committee further resolved to deliberate on the ownership of the said stores with the 'Big Five'.

MINUTE NO.492/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Five O'clock until Thursday 3rd February, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **18th February, 2000**

MINUTES OF THE SIXTY FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON THURSDAY 3RD FEBRUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. David Kombe, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.

ABSENT WITHOUT APOLOGY:

Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.H. Gikonyo	-	Deputy Director of Audit
Mr. R.N. Bichanga	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. D.A. Ongati	-	Ag. Senior Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng'	-	Deputy Inspector of State Corporations

MINUTE NO.493/2000 **EVIDENCE**

The Report and Accounts of Kenya Posts & Telecommunications Corporation for the year 1995/96 and the certificate thereon by the Auditor-General (Corporations).

Mr. A.K. Cheserem, Managing Director of Telkom Kenya Ltd accompanied by Messrs:- Hon. Kipng'eno arap Ng'eny, former Managing Director; A.M. Nzano, General Manager (Finance & Accounts); J.K. Naswan, Manager (Architectural Services); S.P. Kamau, Manager (Financial Accounting); P.K. Mutinda, Company Secretary; B.A. Hussein, Postmaster General, Postal Corporation of Kenya; G. Kithinji, Deputy Secretary, Ministry of Information, Transport & Communications; P.S. Ndemo, Deputy Secretary, Abdul H. Mullick, Director, M/s Abdul Mullick Associates; Shabir Alidina, Director; Julius W.M. Njunu, Executive Principal/Partner, M/s Archi-Systems Ltd; Robert M.N. Runyenje, Principal Architect/Partner; H.K. Muambi, Principal, M/s Muambi Associates; J.M. Waribu, Partner, M/s Utilities Engineering Ltd; appeared before the Committee and gave evidence on the accounts of Kenya Posts and Telecommunications Corporation for the year 1995/96.

MINUTE NO.494/2000

ADDITIONAL INFORMATION - PARAGRAPH 3 OF 1995/96 ACCOUNTS - SALE OF DRIVE-IN ESTATE L.R. 7879/4

1. The Committee directed the Chief Executive to give the status of the said Estate (L.R. 7879/4) detailing the following:-

   (i) The acreage occupied by the 196 housing units.

   (ii) The balance of land out of the original 96 acres.

   (iii) Outcome of the official search.

   (iv) The status of the undeveloped 304 housing units.

2. The Committee further directed that the following appear before it at a later date.

   (i) Commissioner of Lands to explain the chronology of change of ownership of the said parcel of land.

(ii) The Registrar of Companies to submit the directorship of both M/s Afrison Export/Import Ltd and M/s Huelands Ltd during the period of the transactions.

3. The Committee further resolved as follows:-

(i) Make an inspection tour of the said Estate.

(ii) Raise the issue regarding the sale of Drive-in Estate with the "Big Five".

MINUTE NO.495/2000 **NON APPEARANCE OF MR. PAUL NDARUA**

The Committee took great exception to the failure by Mr. Paul Ndarua to appear before it as directed.

Consequently, the committee directed that Mr. Paul Ndarua be re-summoned to appear before it at a later date.

MINUTE NO.496/2000 **ADDITIONAL EVIDENCE - PARAGRAPH 4 OF 1995/96 ACCOUNTS - PURCHASE OF TWO PLOTS OF LAND**

1. The Committee directed the Chief Executive to submit the following information by 11th February, 2000.

(i) Copy of the letter retiring Mr. Paul Ndarua from the Corporations's employment.

(ii) Board minutes that deliberated and approved the AFRALTI project.

(iii) Copies of all the payment cheques for the professional fees.

2. The Committee further directed the following to appear before it at a later date.

(i) Hon. Kipng'eno arap Ng'eny, former Managing Director.

(ii) Mr. K.D. Malakwen, former Corporation's Secretary.

MINUTE NO.497/2000 **PAPERS LAID**

Mr. H.K. Muambi of M/s Muambi Associates tabled the following papers during the Committee's deliberation:-

(i) A copy of a letter commissioning the Company as Quantity Surveyors for AFRALTI project.

(ii) An analysis of the second Fee Note raised by the Company for preparation of the Tender Documents.

(iii) A copy of a letter deferring the implementation of the project indefinitely.

MINUTE NO.498/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. P.K.M. Sang', M.P.
Hon. G.M. Parpai, M.P.

ABSENT WITHOUT APOLOGY:

Hon. Ochilo Ayacko, M.P.
Hon. Ali Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.H. Gikonyo	-	Deputy Director of Audit
Mr. R.N. Bichanga	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. D.A. Ongati	-	Ag. Senior Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng'	-	Deputy Inspector of State Corporations

MINUTE NO.499/2000 **EVIDENCE**

The Report and Accounts of Kenya Posts & Telecommunications Corporation for the year 1995/96 and the certificate thereon by the Auditor-General (Corporations).

Mr. A.K. Cheserem, Managing Director of Telkom Kenya Ltd accompanied by Messrs:- A.M. Nzano, General Manager (Finance & Accounts); J.K. Maswan, Manager (Financial Accounting); P.K. Mutinda, Company Secretary; Jan Mutai, former Managing Director; B.A. Hussein, Postmaster General, Postal Corporation of Kenya; G. Kithinji, Deputy Secretary, Ministry of Information, Transport & Communications; P.S. Ndemo, Deputy Secretary; Abdul H. Mullick, Director, M/s Abdul Mullick Associates; Shabir Alidina, Director; Julius W.M. Njunu, Executive Principal/Partner, M/s Archi-Systems Ltd; Robert M.N. Runyenje, Principal Architect/Partner; H.K. Muambi, Principal, M/s Muambi Associates; J.M. Waribu, Partner, M/s Utilities Engineering Ltd; Sammy S.K. Mwaita, Commissioner of Lands; Anthony Muendo, Deputy Chief Finance Officer;Ministry of Local Government; and Edward Karani, former Town Clerk, Malindi Municipal Council; appeared before the Committee and gave evidence on the accounts of Kenya Posts & Telecommunications Corporation for the year 1995/96.

MINUTE NO.500/2000 **PAPER LAID**

The Chief Executive tabled a copy of the letter terminating the contract of Mr. Paul Ndarua as a Architect/Consultant.

MINUTE NO.501/2000 **ADDITIONAL INFORMATION - PURCHASE OF STAMPS**

The Committee directed the Postmaster General to quantify the amount of stamps procured and sold for the last five (5) years.

MINUTE NO.502/2000 **ADDITIONAL EVIDENCE - MALINDI PLOT**

1. The Committee directed Mr. Edward Karani, the former Town Clerk of Malindi Municipal Council to submit the following information by 9th February, 2000.

   (i) Transactions between Municipal Council and M/s Nyambura & Musimi Advocates regarding the said plot.

   (ii) Transactions between Municipal Council and the Corporation regarding the said plot.

   (iii) Documentary evidence supporting the payment of Kshs. 10 million to Municipal Council through M/s Nyambura & Musimi Advocates.

   (iv) Both the former and current Clerk of the Municipal Council.

2. The Committee further directed the Chief Executive to submit the following information by the same date.

   (i) A detailed breakdown of the professional fees of Kshs.52 million in respect of the said plot.

   (ii) An analysis of the outstanding claims of Kshs.57 million in respect of professional fees on the said plot.

3. The Committee further directed that the following should appear before it at a later date.

(i) Mr. J.K. Yego - Managing Director of M/s Chalan Marketing Services Ltd.

(ii) Mr. Jan Mutai - former Managing Director.

(iii) M/s Nyambura & Musimi Advocates.

MINUTE NO.503/2000 **ADDITIONAL INFORMATION - PARAGRAPH 7 OF 1995/96 ACCOUNTS - CASH AND BANK BALANCES**

The Committee directed the Chief Executive to submit document evidence in support of the officer(s) who authorised the deposits held by four (4), financial institutions which are under receivership by 9th February, 2000.

MINUTE NO.504/2000 **ADJOURNMENT**

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The Chairman adjourned the meeting at Six O'clock until Friday 4th February, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **18th February, 2000**

MINUTES OF THE SIXTY SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON FRIDAY 4TH FEBRUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Ali Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.

ABSENT WITHOUT APOLOGY:

Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. H.O.Wanyama	-	Assistant Director of Audit
Mr. C.N. Nyanyuki	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Deputy Programme Manager
Mr. R.O. Onyuna	-	Senior Economist

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector

MINUTE NO.505/2000 **EVIDENCE**

The Report and Accounts of Lake Basin Development Authority for the year 1994/95 and the certificate thereon by the Auditor-

General (Corporations).

Dr. J.B. Amayi, Managing Director of Lake Basin Development Authority accompanied by Messrs:- M.N. Nyakeng'o, Financial Controller; Kabok P. Ayuko, Chief Engineer; and Wilfred A. Onono, Deputy Secretary, Ministry of Agriculture and Rural Development; appeared before the Committee and gave evidence on the accounts of the Authority for the year 1994/95.

MINUTE NO.506/2000

ADDITIONAL INFORMATION - 1994/95 ACCOUNTS PARAGRAPH 2 - FINANCIAL POSITION AND PARAGRAPH 5 - BANK OVERDRAFT

The Committee directed that the former Managing Director, Mr. S. Obura be informed accordingly to submit a detailed write-up on how the Authority obtained an overdraft of Kshs.63,818,892.35 against an authorised limit of Kshs.3,000,000 and how the said amount was expended during his tenure.

MINUTE NO.507/2000

DEFERRED EVIDENCE - PARAGRAPH 4 OF 1994/95 ACCOUNTS - STALLED HEADQUARTERS PROJECT

1. The Committee directed the Investments Secretary to submit a copy of the Treasury Circular instructing all Government Ministries to rationalize their budgets in 1991 by Tuesday 8th February, 2000.

2. The Committee further directed the Parent Ministry to submit the following by 11th February, 2000:-

   (i) A comprehensive report detailing the chronology of events in the execution of the said stalled project.

   (ii) A schedule of pending bills and the final account of the said project in the event of winding up.

3. The Committee also directed the following to appear before it at a later date.

(i) Mr. D. Mboya, former Permanent Secretary, Ministry of Regional Development.

(ii) Permanent Secretary, Ministry of Agriculture and Rural Development

(iii) Permanent Secretary, Ministry of Roads and Public Works to submit the contract agreement for the project.

(iv) M/s N.K. Brothers Ltd.

MINUTE NO.508/2000 **DEFERRED EVIDENCE PARAGRAPH 5 OF 1994/95 ACCOUNTS - BANK OVERDRAFT KSHS.63,818,892.35**

1. The Committee directed that Mr. S. Obura, former Managing Director appears before it in connection with the said paragraph.

2. The Committee further directed the parent Ministry to liaise with the Treasury with regard to the repayment of the amount owed to National Bank of Kenya by the authority in respect of the overdraft and give a feedback.

MINUTE NO.509/2000 **ADDITIONAL INFORMATION**

The Committee directed the parent Ministry to submit a report on the outcome of the Ministerial Task Force re-examining the role of the regional authorities in line with the current core functions of the Government.

MINUTE NO.510/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Twelve O'clock until Monday 7th February, 2000 at 2.30 p.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **18th February, 2000**

MINUTES OF THE SIXTY SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON MONDAY 7TH FEBRUARY, 2000 AT 2.30 P.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. G.M. Parpai, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITHOUT APOLOGY:

Hon. Ochilo Ayacko, M.P.
Hon. Ali Shabaan, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit
Mr. P.K. Muasya - Deputy Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Ms B.W. Gathirwa - Accounts Controller

INSPECTORATE OF STATE CORPORATIONS

Mr. John Kithete - Senior Economist

MINUTE NO.511/2000 **EVIDENCE**

The Report and Accounts of Kenya Pipeline Company for the year 1995/96 and the certificate thereon by the Auditor-General (Corporations).

Mr. E.K. Komen, Manager Director, Kenya Pipeline

Company accompanied by Messrs: Mary Kiptui, Company Secretary; Helen Njue, Finance Manager; P.N. Gituku, Corporate Planning & Project Manager; F.G. Meta, Deputy Secretary (Development), Ministry of Energy; and F.G. Mwobobia, Senior Accountant; appeared before the Committee and gave evidence on the accounts of the Company for the year 1995/96.

MINUTE NO.512/2000 **DISCREPANCY IN THE 1995/96 AUDITED ANNUAL REPORT & ACCOUNTS**

The Committee noted with grave concern that the Company did not print a replica of the signed certificate by the Auditor-General (Corporations) thereby occasioning the discrepancy in the said accounts.

Consequently, the Committee directed the Auditor-General (Corporations) to reconcile the Company's printed accounts with the signed certificates for both 1995/96 and 1996/97 and give a feedback by 21st February, 2000.

MINUTE NO.513/2000 **ADDITIONAL INFORMATION - SERVICING OF FOREIGN LOANS**

The Committee directed the Chief Executive to submit the following information to the Auditor-General (Corporations) for verification by 21st February, 2000.

An analysis of the foreign loans account from 1997-1999 detailing the following:-

(i) The amount advanced to the Company by each bank.

(ii) The amount paid by the Company towards loan repayment.

(iii) The Company's bank accounts debited for loan servicing.

(iv) Names of the various foreign banks to which the money were remitted for loan servicing.

(v) The loan agreements with the foreign banks.

MINUTE NO.514/2000 **ADDITIONAL INFORMATION - PARAGRAPH 3 OF 1995/96 ACCOUNTS - ACCOUNTS PAYABLE AND ACCRUALS**

The Committee directed the Chief Executive to pay the Ministry of Energy an amount of Kshs.8 million collected from Kipevu Oil Storage Facility and report back by 18th February, 2000.

MINUTE NO.515/2000 **PAPERS LAID**

The Chief Executive tabled the following papers during the deliberations of the Committee.

(i) An analysis of revenue collection from Kipevu Oil Storage Facility as at 31st December, 1999.

(ii) A copy of the letter to the Auditor-General (Corporations) regarding the appointment of private auditors by the Company.

MINUTE NO.516/2000 **BANKING WITH COMMERCIAL BANK OF AFRICA**

The Committee directed as follows:-

(i) The Treasury to stop the Company forthwith from banking with Commercial Bank of Africa contrary to the financial regulations.

(ii) The Chief Executive to update the Committee on the action taken to terminate letters of credit and other commitments with Commercial Bank of Africa by 21st February, 2000.

(iii) The Chief Executive to cease further court action on the issue regarding the transfer of Kshs.256 million abroad from the said bank.

(iv) The former Managing Director, Mr. Mbote to appear before the committee at a later date in connection with the accounts operated by the Company with the said bank.

MINUTE NO.517/2000 **LAND LEVY - NOTES TO THE ACCOUNTS**

The Committee directed the Chief Executive to give a detailed breakdown on the utilisation of Kshs.206 million collected as Land Levy by 11th February, 2000.

MINUTE NO.518/2000 **DEFERRED EVIDENCE - PARAGRAPH 4 OF 1995/96 ACCOUNTS - INVESTMENTS**

The Committee deferred taking evidence on the said paragraph to a later date.

MINUTE NO.519/2000 **ADJOURNMENT**

The Chairman adjourned the Committee at thirty minutes past Six O'clock until Tuesday 8th February,

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **18th February, 2000**

MINUTES OF THE SIXTY EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON TUESDAY 8TH FEBRUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. G.M. Parpai, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.
Hon. Ochilo Ayacko, M.P.

ABSENT WITHOUT APOLOGY:

Hon. Peter Kaindi, M.P.
Hon. Ali Shabaan, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit
Mr. E.H. Gikonyo	-	Deputy Director of Audit
Mr. S.W. Ochieng	-	Principal Auditor
Mr. N. Were	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Tom K. Khakame	-	Chief Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Senior Economist

MINUTE NO.520/2000 **CONFIRMATION OF THE MINUTES**

The Minutes of the previous sittings of the Committee were confirmed by the Members present and signed by the Chairman as follows:-

(i) The Forty Ninth sitting held on Friday 12th November, 1999 were proposed by Hon. Amin and seconded by Hon. Sambu.

(ii) The Fiftieth Sitting held on Friday 19th November, 1999 were proposed by Hon. Badawy and seconded by Hon. Amin.

(iii) The Fifty First Sitting held on Monday 22nd November, 1999 were proposed by Hon. Sambu and seconded by Hon. Badawy.

(iv) The Fifty Second Sitting held on Tuesday 23rd November, 1999 were proposed by Hon. Kombe and seconded by Hon. Sambu.

(v) The Fifty Third Sitting held on Monday 29th November, 1999 were proposed by Hon. Kombe and seconded by Hon. Donde.

MINUTE NO.521/2000 **EVIDENCE**

The Report and Accounts of National Housing Corporation for the year 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. Lawi K. Kiplagat, Managing Director of National Housing Corporation accompanied by Messrs: W.M. Wepukhulu, Finance Manager; E.W. Mbugua, Corporation Secretary; J.A. Shikumo, Technical Manager; A.n. Nyaga, Ag. Chief Accountant; and P. Sika, Ag. Chief Architect, Ministry of Roads and Public Works; appeared before the Committee to give evidence on the accounts of the Corporation for the year 1996/97.

MINUTE NO.522/2000 **DEFERRED EVIDENCE - 1996/97 ACCOUNTS**

The Committee expressed concern that despite the adoption of its Reports by the House, no action has been taken to implement its recommendations and in particular, its recommendation that certain Chief Executives should be banned from holding public offices.

Consequently, the Committee resolved to defer taking evidence on the accounts of National Housing

Corporation since the Managing Director of the Corporation, Mr. Lawi Kiplagat, is one of the Chief Executives it has recommended to be banned from holding a public office.

MINUTE NO.523/2000 **EVIDENCE**

The Report and Accounts of Higher Education Loans Board for the years 1992/93 - 1993/94 and the certificate thereon by the Auditor-General (Corporations).

Prof. Chacha Nyaigoti, Board Secretary of Higher Education Loans Board accompanied by Messrs:- B. Cheboi, Deputy Board Secretary; K. Oyaro, Finance Manger; F. Achola, Senior Accountant; B. Masinde, Legal Officer; L.W. Njeri, Assistant Director of Education; Ministry of Education Science and Technology; J.K. Mugambi, Senior Assistant Secretary; and J.B. Kariuki, Chief Accountant; appeared before the Committee and gave evidence on the accounts of the Board for the years 1992/93 - 1993/94.

MINUTE NO.524/2000 **ADDITIONAL INFORMATION - LOANS ADVANCED**

The Committee directed the Chief Executive to submit the following information by 2nd February, 2000.

(i) An analysis of loanees from 1974 to 1995 when the Board was established.

(ii) The cost of loan recovery in terms of salaries and allowances for the personnel directly involved in the recovery.

MINUTE NO.525/2000 **ADDITIONAL INFORMATION - PARAGRAPH 3 OF 1993/94 ACCOUNTS - BANK BALANCE**

The Committee directed the Ministry of Education to avail Bank reconciliation for Kshs.470,611 to the Auditor-General (Corporations) for verification by 18th February, 2000.

MINUTE NO.526/2000 **PAPER LAID**

Mr. J.K. Mugami, Senior Assistant Secretary, Ministry of Education tabled a copy of the letter to the Chairman of Cereals and Sugar Finance regarding investment of Kshs.700,000.

MINUTE NO.527/2000 **DEFERRED EVIDENCE - PARAGRAPH 4 OF 1993/94 ACCOUNTS - DEPOSITS**

The Committee directed that the Chairman of Cereals and and Sugar Finance (Director of Fiscal & Monetary Policies) Mr. Njeru Kirira should appear before it at a later date.

MINUTE NO.528/2000 **ADJOURNMENT**

The Ag. Chairman Hon. Ochilo Ayacko adjourned the meeting at One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. G.M. Parpai, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Peter Kaindi, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITHOUT APOLOGY:

Hon. Ali Shabaan, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. H.O Wanyama	-	Assistant Director of Audit
Mr. P.O. Ogala	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Ms Beatrice Gathirwa	-	Accounts Controller

INSPECTORATE OF STATE CORPORATIONS

Mr. John Kithete	-	Senior Economist

MINUTE NO.529/2000 **EVIDENCE**

KENYA MEDICAL TRAINING COLLEGE (NAIROBI)

Mr. William K. Boit, Director of Kenya Medical Training College accompanied by Messrs: Paul Tuukuo, Ag. Deputy Principal; Anastasia Kimeu, Ag. Registrar (Academic); M.W. Ndegwa, Principal Personnel Officer; Silas Njeru, Supplies Officer; J.J.O. Ombayo, Accountant; Prof. Julius Meme, Permanent Secretary, Ministry of Health; and Ibrahim Hussein, Deputy Secretary; appeared before the Committee and gave evidence on the operations of the College.

MINUTE NO.530/2000 **ADDITIONAL INFORMATION**

1. **Under Minute No.380/99(v),** the Committee directed the Auditor-General (Corporations) to verify how the College expended Kshs.5,928,800 in respect of application fees for 1998/99.

2. The Committee further directed the Chief Executive to submit the following information by 18th February, 2000.

   (i) Documentation on the procurement of the 15 computers acquired recently.

   (ii) Board's approval for the purchase of the said computers.

(iii) Details of the funding from Japanese International Cooperation Agency (JICA) and other donors.

MINUTE NO.531/2000 **ADDITIONAL INFORMATION**

Under Minute NO.380/99(v), the Committee directed the Chief Executive to prepare a policy paper on the selection criteria for admission by the College and submit a copy to the Committee.

MINUTE NO.532/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at forty five minutes past Six O'clock until Wednesday 9th February, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **18th February, 2000**

MINUTES OF THE SIXTY NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON WEDNESDAY 9TH FEBRUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Safnbu, M.P.
Hon. Peter Kaindi, M.P.
Hon. Abubakar Badawy, M.P.
Hon. G.M. Parpai, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.

ABSENT WITHOUT APOLOGY:

Hon. Ali Shabaan, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. F.J. Mwasella	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. B.W. Gathira	-	Accounts Controller
Mr. L.N. Muthiani	-	Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng	-	Deputy Inspector of State Corporations

MINUTE NO.533/2000 **EVIDENCE**

The Report and Accounts of the Teachers Service Commission for the year 1994/95 and the certificate thereon by the Auditor-General (Corporations).

Mr. Benjamin Sogomo, Secretary of Teachers Service Commission accompanied by Messrs:- Wilfred Muthuuri, Deputy Commission Secretary(Finance); Jackson Kang'ali, former Commission Secretary; Wilfred Kimalat, Permanent Secretary, Ministry of Education, Science and Technology; Benjamin Kipkulei, former Permanent Secretary; Francis K. Sang, Director of Criminal Investigation Department; E.K. Mwongera, Permanent Secretary, Ministry of Roads & Public Works; P.O. Sika, Ag. Chief Architect; W.C.O. Aywak, Head of Maintenance Department; M. Otieno Odongo, Managing Director, M/s Otieno Odongo Civil & Structural Engineers Ltd., Stanley Kimemia, Project Engineer, Ogara Oketch, Finance/Administration Manager; James Gitoho, Project Architect, M/s Triad Architects Ltd; Onesimus Mwangi Gichiuri, Quantity Surveyor; M/s Mathu & Gichiuri Quantity Surveyors Ltd; and M.M. Ngilu, Engineer, M/s Ngilu & Associates Ltd; appeared before the Committee and gave evidence on the accounts of the Commission for the year 1994/95.

MINUTE NO.534/2000 **ADDITIONAL EVIDENCE - PARAGRAPH 2:2 OF 1994/95 ACCOUNTS - UNCLAIMED SALARIES**

1. The Committee directed the Director of Criminal Investigation Department to expedite the investigation in the circumstances under which the former DC Baringo, Mr. Cyrus Maina retained unclaimed salaries in 1991 and later refunded the amount on 8th February, 2000 and the report by 9th March, 2000.

2. The Committee further directed that the following appear before it at a later date.

   (i) Director of CID.
   (ii) Former Director of CID.
   (iii) Mr. Cyrus Maina
   (iv) The Investigation Officer, Mr. Kibera Karanja.

MINUTE NO.535/2000 **PAPER LAID**

The Secretary of Teachers' Service Commission tabled a copy of the bankers cheque for Kshs.2,017,420

from the DC Baringo in respect of the outstanding amount of unclaimed salaries from Baringo.

MINUTE NO.536/2000 **ADDITIONAL INFORMATION - PARAGRAPH 1 OF 1994/95 ACCOUNTS**

The Committee directed the Permanent Secretary, Ministry of Education to submit a detailed breakdown of the professional fees paid to the consultants in respect of the proposed TSC Office building by 18th February, 2000.

MINUTE NO.537/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past One O'clock until the afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Joseph A. Donde, M.P.
Hon. Peter Kaindi, M.P.
Hon. Abubakar Badawy, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.
Hon. Ali Shabaan, M.P.

ABSENT WITHOUT APOLOGY:

Hon. Ochilo Ayacko, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Sayyid M. Amin, M.P.
Hon. John Sambu, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. F.J. Mwasella	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. B.W. Gathira - Accounts Controller
Mr. L.N. Muthiani - Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B. Ochieng - Deputy Inspector of State Corporations

MINUTE NO.538/2000 **EVIDENCE**

The Report and Accounts of Teachers Service commission for the year 1994/95 and the certificate thereon by the Auditor-General (Corporations).

Mr. Benjamin K. Sogomo, Secretary of Teachers Service Commission accompanied by Messrs:- Wilfred Mithuuri, Deputy Commission Secretary (Finance); Jackson Kang'ali, former Commission Secretary; Wilfred Kimalat, Permanent Secretary, Ministry of Education, Science and Technology; Benjamin Kipkulei; former Permanent Secretary; E.K. Mwongera, Permanent Secretary, Ministry of Roads and Public Works; P. O. Sika, Ag. Chief Architect; and W.O. Aywak, Head of Maintenance Department; appeared before the Committee and gave further evidence on the accounts of the Commission for the year 1994/95.

MINUTE NO.539/2000 **ADDITIONAL INFORMATION RENTED PREMISES**

The Committee directed as follows:-

(i) The Permanent Secretary, Ministry of Roads and Public Works to undertake a physical valuation of the office space currently occupied by TSC vis-a-vis the recommended standard space for Government offices and report back by 23rd February, 2000.

(ii) The Permanent Secretary, Ministry of Education, Science and Technology to negotiate with the Treasury for funds to complete the stalled TSC Headquarters to

avoid incurring further expenditure on premises rental currently occupied by TSC and report back by 28th February, 2000.

MINUTE NO.540/2000 **ADDITIONAL EVIDENCE - PARTITIONING OF OFFICE**

The Committee directed the Permanent Secretary, Ministry Roads & Public Works to undertake valuation of the partitioned TSC rented premises and report back by 18th February, 2000.

The Committee further directed the Secretary of the Commission to submit the details of the cumulative savings by the Commission by 18th February, 2000.

MINUTE NO.541/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Six O'clock until Thursday 11th February, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **18th February, 2000**

MINUTES OF THE SEVENTIETH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON THURSDAY 10TH FEBRUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. Abubakar Badawy, M.P.
Hon. Ali Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. S.K. Mbuko	-	Senior Auditor

MINUTE NO.542/2000 **EVIDENCE**

The Report and Accounts of Kenya Agricultural Research Institute (KARI) for the year 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Dr. Cyrus Nderitu, Director of Kenya Agricultural Research Institute accompanied by Messrs: R.L. Odupoy, Deputy Director (Finance & Planning); J.M. Weindaba, Chief Accountant; Sammy Mwaita, Commissioner of Lands; Wilfred Mwangi, Deputy Permanent Secretary, Ministry of Agriculture and Rural Development; A.M. Gakere, Deputy Secretary; Josephine Gichuhi, Chief Finance Officer; and A.M. Marete, Deputy Director; appeared before the Committee and gave evidence on the accounts of the Institute for the year 1996/97.

MINUTE NO.543/2000 **PAPERS LAID**

1. The Director of the Institute tabled copies of the title deeds for the following parcels of land during the deliberations of the Committee.

   (i) LR No.- 12012
   LR No.- 23881
   LR No.- 23880
   LR No.- 23879
   LR No.- 23882
   LR.No.- 23883
   LR.No.- 23877
   LR.No.- 23878

2. The Commissioner of Lands tabled a copy of the letter written by his predecessor Mr. Wilson Gacanja to the Head of the Public Service regarding KARI land in Kitale.

MINUTE NO.544/2000 **ADDITIONAL INFORMATION KARI LAND IN KITALE**

1. The Committee directed the Commissioner of Lands to expedite the cancellation of KARI land irregularly allocated to private developers in Kitale and update the Committee by 18th February, 2000.

2. The Committee further directed the Deputy Permanent Secretary, Ministry of Agriculture and Rural Development to follow up the issue regarding KARI land irregularly allocated to private developers with the Head of Public Service and give a feedback by the same date.

MINUTE NO.545/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Twelve O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.

Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY:

Hon. Ali Shabaan, M.P.
Hon. John Sambu, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. E.H. Gikonyo	-	Deputy Director of Audit
Mr. C.U. Amadi	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Deputy Programme Manager
Mr. R.O. Onyuna	-	Senior Economist

MINUTE NO.546/2000 **EVIDENCE**

The Report and Accounts of Mwea Rice Mills Ltd for the years 1993/94 - 1994/95 and the certificate thereon by the Auditor-General (Corporations).

Mr. F.P. Muema, General Manager of National Irrigation Board accompanied by Messrs:- A.A. Ali, Deputy General Manger; D.K. Kiprono, Ag. Finance Manager; and C.K. Ruirie Njeru, Deputy Secretary, Ministry of Agriculture and Rural Development; appeared before the Committee and gave evidence on the accounts of Mwea Rice Mills Ltd for the years 1993/94 - 1994/95.

MINUTE NO.547/2000

DEFERRED EVIDENCE - PARAGRAPH 1 OF 1994/95 ACCOUNTS - BUDGETARY CONTROL

The Committee directed the Chief Executive to submit all documentary evidence in support of the over-expenditure incurred as stated in the said paragraph to the Auditor-General (Corporations) by 18th February, 2000.

MINUTE NO.548/2000

DEFERRED EVIDENCE - PARAGRAPH 2 OF 1994/95 ACCOUNTS - INVESTMENT/SHAREHOLDING IN MWEA FEED MILLS LTD

The Committee directed as follows:-

(1) The Chief Executive to submit a write up detailing the following.

(i) The circumstances under which K£ 336,723 was invested in Mwea Feed Mills Ltd.

(ii) Documentary evidence in support of the over-expenditure incurred as stated in the said paragraph to the Auditor-General (Corporations) by 18th February, 2000

(iii) Details of the agreement with the other shareholders namely Mr. J.S. Mathenge, L.K. Kimondo and J.K. Maina.

(iv) Contractual agreements with the rice farmers.

(v) The ownership of paddy mills.

(vi) Outstanding liabilities between the Board and rice farmers to-date.

2. The Inspector of State Corporations to inspect Mwea Rice Scheme and submit a report on the operations and management of Mwea Rice Mills Ltd by 29th February, 2000.

3. The Committee directed that the Managing Director of Kenya Industrial Estates appear before it at a later date to explain why the management has frustrated National Irrigation Board's efforts to recover its shareholding of K£336,723 in Mwea Feed Mills Ltd.

MINUTE NO.549/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Five O'clock until Friday 11th February, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **23rd March, 2000**

MINUTES OF THE SEVENTY FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON FRIDAY 11TH FEBRUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Abubakar Badawy, M.P.

ABSENT WITH APOLOGY:

Hon. Ali Shabaan, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. E. Odede	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Deputy Programme Manager
Mr. T.K. Khakame	-	Chief Accountant

MINUTE NO.550/2000 **EVIDENCE**

The Report and Accounts of Kenya Tea Development Authority for the year 1994/95 and the certificate thereon by the Auditor-General (Corporations).

Mr. G.M. Kimani, Managing Director of Kenya Tea Development Authority accompanied by Messrs:- H.N. Muinde, Deputy Accounts Manager; Irene Mbiu, Ag. Financial Controller; J. Shigoli,

Corporation Secretary; C.M. Irungu, former Managing Director; O.M. Sheikh, Manager, Ngere Tea Factory; and Joseph Njuguna Thairu, Deputy Secretary, Ministry of Agriculture and Rural Development; appeared before the Committee and gave evidence on the accounts of the Authority for the year 1994/95.

MINUTE NO.551/2000 **DEFERRED EVIDENCE - PARAGRAPH 3 OF 1994/95 ACCOUNTS - PURCHASE OF TRUCKS**

The Committee directed that the following former members of the management during the period under review appear before it at a later date.

(i) Mr. C.M. Irungu - former Managing Director

(ii) Mr. S.M. M'Imanyara -former Chairman

(iii) Mr. N. Ethang'atha - former Crops Development Manager

(iv) Mr. R. Cheruiyot - former General Manager

(v) Mr. N.K. Mbindyo - former Financial Controller

(vi) Directors of Internship Clearing & Forwarding Company during the period in question.

MINUTE NO.552/2000 **ADDITIONAL INFORMATION - PARAGRAPH 5 OF 1994/95 ACCOUNTS - DEBTORS AND PRE-PAYMENTS**

The Committee directed the Auditor-General (Corporations) to verify the details of the reconciliation of debtors and prepayments submitted by the Chief Executive and report back by 18th February, 2000.

MINUTE NO.553/2000 **DEFERRED EVIDENCE - PARAGRAPH 6 OF 1994/95 ACCOUNTS - OLENGURUONE TEA PROJECT**

1. The Committee directed the Permanent Secretary, Ministry of Agriculture to submit a detailed write up on the Ministry's involvement

in Olenguruone Tea Project.

2. The Committee further directed the Chief Executive to submit the following information to the Auditor-General (Corporations) by Monday 14th February, 2000.

   (i) A copy of the Contract Agreement between the Authority and the Government on Olenguruone project.

   (ii) The amount spent on Olenguruone project between 1983 - 1993 and 1993-1997.

   (iii) Statements of reimbursement to the Authority from the Ministry of Agriculture on the said project.

3. The Committee also directed that the former Managing Director, Mr. E. Karanja appear before it at a later date with the management.

MINUTE NO.554/2000 **PAPER LAID**

The Chief Executive tabled a copy of the letter from the Ministry of Agriculture regarding Olenguruone project.

MINUTE NO.555/2000 **ADDITIONAL INFORMATION**

The Committee directed the Chief Executive to submit the following information by 25th February, 2000.

A comprehensive write-up detailing the following:-

(i) Liquidity position of the Authority including the status of Kshs. 1.9 billion.

(ii) The Authority's assets value.

(iii) The Authority's position vis-a-vis its subsidiary tea factories and particularly Majani Tea Factory in line with the envisaged split.

MINUTE NO.556/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past One O'clock until Friday 18th February, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **23rd March, 2000**

MINUTES OF THE SEVENTY SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON FRIDAY 18TH FEBRUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali Shabaan, M.P.

ABSENT WITH APOLOGY:

Hon. Abubakar Badawy, M.P.
Hon. P.K.M. Sang', M.P.
Hon. David Kombe, M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M.R. Sialai - Clerk Assistant
Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. P.K. Muasya - Deputy Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. T.K. Khakame - Chief Accountant

MINUTE NO.557/2000 **CONFIRMATION OF THE MINUTES**

The Minutes of the previous sittings of the Committee were confirmed by the Members present and signed by the Chairman as follows:-

(i) Fifty Fourth Sitting held on Friday 3rd December, 1999 were proposed by Hon. Donde and seconded by Hon. Ochilo Ayacko.

(ii) The Fifty Fifth sitting held on Saturday 4th December, 1999 were proposed by Hon. Kaindi and seconded by Hon. Parpai.

(iii) The Fifty Sixth sitting held on Monday 6th December, 1999 were proposed by Hon. Shabaan and seconded by Hon. Kaindi.

(iv) The Fifty Seventh sitting held on Friday 17th December, 1999 were proposed by Hon. Sambu and seconded by Hon. Ayacko.

(v) The Fifty Eighth sitting held on Tuesday 25th January, 2000 were proposed by Hon. Parpai and seconded by Hon. Amin.

(vi) The Fifty Ninth sitting held on Wednesday 26th January, 2000 were proposed by Hon. Sambu and seconded by Hon. Parpai.

(vii) The Sixtieth sitting held on Thursday 27th January, 2000 were proposed by Hon. Amin and seconded by Hon. Ochilo Ayacko.

(viii) The Sixty First sitting held on Friday 28th January, 2000 were proposed by Hon. Sambu and seconded by Hon. Parpai.

(ix) The Sixty Second sitting held on Monday 31st January, 2000 were proposed by Hon. Ochilo Ayacko and seconded by Hon. Shabaan.

(x) The Sixty Third sitting held on Tuesday 1st February, 2000 were proposed by Hon. Amin and seconded by Hon. Sambu.

(xi) The Sixty Fourth sitting held on Wednesday 2nd February, 2000 were proposed by Hon. Sambu and seconded by Hon. Kaindi.

(xii) The Sixty Fifth sitting held on Thursday 3rd February, 2000 were proposed by Hon. Parpai and seconded by Hon. Sambu.

(xiii) The Sixty Sixth sitting held on Friday 4th February, 2000 were proposed by Hon. Shabaan and seconded by Hon. Parpai.

(xiv) The Sixth Seventh sitting held on Monday 7th February, 2000 were proposed by Hon. Sambu and seconded by Hon. Parpai.

(xv) The Sixty Eighth sitting held on Tuesday 8th February, 2000 were proposed by Hon. Shabaan and seconded by Hon. Parpai.

(xvi) The Sixty Ninth sitting held on Wednesday 9th February, 2000 were proposed by Hon. Parpai and seconded by Hon. Kaindi.

MINUTE NO.558/2000 **MATTERS ARISING**

(i) **Under Minute No.435/99,** the Committee resolved that the following Corporations should be included in the sitting programme.

- Kenya Re-insurance Corporation
- Kenya Seed Company

(ii) **Under Minute No.452/2000,** the Committee resolved that witnesses should appear as directed.

MINUTE NO.559/2000 **ADJOURNMENT**

The Chairman adjourned the meeting until Monday 21st February, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **23rd March, 2000**

MINUTES OF THE SEVENTY THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON MONDAY 21ST FEBRUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali Shabaan, M.P.
Hon. Abubakar Badawy, M.P.
Hon. David Kombe, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. S.W. Ndindiri	-	Clerk of the National Assembly
Mr. M.R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maiuki	-	Auditor-General (Corporations)

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary/Deputy Programme Manager

MINUTE NO.560/2000 **MEETING WITH THE "BIG FIVE"**

Dr. Richard Leakey, Permanent Secretary, Secretary to the Cabinet and Head of the Public Service appeared before the Committee in connection with the implementation status of the Committee's Reports.

The Committee was informed that both the Attorney-General and Permanent Secretary, Ministry of Finance were unable to appear before it due to other official assignments.

MINUTE NO.561/2000 **IMPLEMENTATION STATUS OF THE PUBLIC INVESTMENTS COMMITTEE REPORTS ADOPTED BY THE HOUSE AS RESOLUTIONS**

The Committee expressed great concern over the non implementation of the recommendations contained in its reports that have been adopted by the House.

The Committee was informed that past appointments of the Chief Executives in State Corporation were not done meritiously but were based on other "considerations".

The Committee was further informed that the Executive is seriously addressing the issue of implementation with a view to having massive turnover in the management of the State Corporations in due course.

MINUTE NO.562/2000 **MEETING WITH THE "BIG FIVE"**

The Committee resolved to schedule a meeting with the "Big Five" on Wednesday 8th March, 2000 at 9.00 a.m.

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MINUTE NO.563/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until Tuesday 22nd February, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **23rd March, 2000**

MINUTES OF THE SEVENTY FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON TUESDAY 22ND FEBRUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali Shabaan, M.P.
Hon. Abubakar Badawy, M.P.
Hon. David Kombe, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit
Mr. J.K. Mukhooli - Deputy Director of Audit
Mr. H.O. Wanyama - Assistant Director of Audit
Mr. P.O. Ogola - Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Ms B.W. Gathirwa - Accounts Controller

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi - Principal Assistant Inspector

MINUTE NO.564/2000 **EVIDENCE**

The Report and Accounts of Kenyatta National Hospital for the years 1995/96 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Dr. Hoseah Waweru, Director of Kenyatta National Hospital accompanied by Messrs:- Dr. C.J.N. Omondi, Deputy Director (Clinical Services); G.F.

Wekesa, Deputy Director, (Administrative Services); Joseph Chiuri, Personnel & Training Manager; H. N. Gichuru, Supplies & Procurement Manager; Martin Oluoch, Planning Manager; Nicodemus Omambia, Hospital Engineer; George Mwangi, Finance Manager; Prof. Julius S. Meme, Permanent Secretary, Ministry of Health; Dr. N.K. Ng'eno, Permanent Secretary, Ministry of Lands & Settlement; S.K. Mwaita, Commissioner of Lands; H. Nyapola, Director of Surveys; R.K. Mbwagwa, Director of Physical Planning; and Eng. C.N. Mutitu former Permanent Secretary, Ministry of Energy; appeared before the Committee and gave evidence on the accounts of the Hospital for the years 1995/96 - 1996/97.

MINUTE 565/2000

ADDITIONAL INFORMATION - PARAGRAPH 2 OF 1995/96 ACCOUNTS - FIXED ASSETS

1. The Committee directed the Commissioner of Lands to expedite the cancellation of Land LR/NO.209/13139 which was erroneously allocated to private developers and give a feedback by 29th February, 2000.

2. The Committee further directed the Commissioner of Lands to submit a comprehensive write up on the history of allocation of the following parcels of land together with copies of allotment letters.

LR.NO. 209/12822
LR.NO. 209/12767
LR.NO. 209/11460
LR.NO. 209/13139

MINUTE 566/2000

PAPER LAID

Eng. C.N. Mutitu, former Permanent Secretary, Ministry of Energy tabled a brief on the parcels of land that the Task Force Committee considered under his Chairmanship.

MINUTE 567/2000

INSPECTION TOUR OF KENYATTA NATIONAL HOSPITAL PARCELS OF LAND

The Committee members arrived at Kenyatta National Hospital at Twelve O'clock and made an extensive tour of the Hospitals plots that have been

alienated.

The Committee was informed that:-

(i) Allocations to private developers have encroached on the Hospital's compound inside the chain link fence.

(ii) The parcels of land belonging to the University and Ministry of Health were done under a different survey.

The Committee directed the Commissioner of Lands to submit the following information by 29th February, 2000.

(i) A copy of the survey Map for parcels of land belonging to the University of Nairobi, Kenya Medical Training College and Ministry of Health.

(ii) Details of the acreage of land allocated to private developers around Kenyatta National Hospital after the Mutitu Task Force Committee.

MINUTE NO.568/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Peter Kaindi, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ali I. Shabaan, M.P.
Hon. G.M. Parpai, M.P.

ABSENT WITH APOLOGY:

Hon. Ochilo Ayacko, M.P.
Hon. David Kombe, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit
Mr. E.H. Gikonyo - Deputy Director of Audit
Mr. C. Amadi - Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi - Deputy Programme Manager
Mr. F.W. Kingori - Assistant Secretary

MINUTE NO.569/2000 **EVIDENCE**

The Report and Accounts of National Water Conservation and Pipeline Corporation for the year 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Dr. P.K. Punyua, Managing Director of National Water Conservation and Pipeline Corporation accompanied by Messrs: M. Ochieng, Chief,Development Services Manager; S.M. Amuti, Chief Finance Manager; H.K. Rotich, former Managing Director; Mutua Kilaka, Deputy Secretary, Ministry of Environment & Natural Resources; J.M. Karuri, Principal Accounts Controller; H.S. Chaveva, Senior Finance Manager; J.V. Shikalo, Ag. Chief Operations Manager, Ministry of Water Development; and Sammy Mbova, former Permanent Secretary; appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1996/97.

MINUTE NO.570/2000 **ADDITIONAL EVIDENCE - PARAGRAPH 6 OF 1996/97 ACCOUNTS - KISERIAN DAM PROJECT**

1. The Committee directed the following to appear before it at a later date.

   (i) Directors of M/s Karsan Ramiji & Sons Construction Company who implemented the project.

(ii) Eng. H.K. Rotich, former Managing Director.

(iii) Mr. S.M. Mbova, former Permanent Secretary.

2. The Committee further resolved to make an inspection tour of the dam project at a later date.

MINUTE NO.571/2000 **ADDITIONAL INFORMATION - PARAGRAPH 8 OF 1996/97 ACCOUNTS - NAKURU SEWERAGE REHABILITATION**

The Committee directed the parent Ministry to expedite the formal transfer of the project to the Municipal Council of Nakuru to enable the adjustments of the same in the Corporation's books of accounts and give a feedback by 15th March, 2000.

MINUTE NO.572/2000 **ADDITIONAL INFORMATION - PARAGRAPH 9 OF 1996/97 ACCOUNTS - INTEREST ON IDA LOANS**

The Committee directed the Chief Executive to submit a detailed analysis of water debtors indicating the amount collected to-date and the outstanding balance.

MINUTE NO.573/2000 **ISSUES TO BE RAISED WITH THE "BIG FIVE"**

The Committee resolved to raise the issue of water supply by the Corporation to the consumers in Nakuru, Kiambu and Naivasha through the Municipalities with the "Big Five".

MINUTE NO.574/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Five O'clock until Wednesday 23rd February, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **23rd March, 2000**

MINUTES OF THE SEVENTY FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON WEDNESDAY 23RD FEBRUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Peter Kaindi, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. G.M. Parpai, M.P.
Hon. Ali Shabaan, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit
Mr. E.H. Gikonyo - Deputy Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. F.W. Kingori - Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. R.E. Ndubai - Principal Assistant Inspector

MINUTE NO.575/2000 **EVIDENCE**

The Report and Accounts of Kenya Wine Agencies Ltd for the years 1988/89 - 1992/93 and the certificate thereon by the Auditor-General (Corporations).

Mr. P.K. Chemng'orem, Managing Director of Kenya Wine Agencies Ltd, accompanied by Messrs:- J.N. Ndungu, Deputy Managing Director; and Mary N. Ngari, Deputy Secretary, Ministry of Tourism, Trade

and Industry; appeared before the Committee and gave evidence on the accounts of the Corporations for the years 1988/99 - 1992/93.

MINUTE NO.576/2000 **ADDITIONAL INFORMATION - ASSETS**

Under Minute No.225/99, the Committee was informed that the Chief Executive had not submitted the additional information required.

Consequently, the Committee directed that the same be submitted by 3rd March, 2000.

MINUTE NO.577/2000 **ADDITIONAL INFORMATION - TITLE DEED FOR YATTA PLOT**

Under Minute No.226/99, the Committee directed that the Commissioner of Lands should explain why the title deed for the parcel of land in Yatta has not been issued to-date.

MINUTE NO.578/2000 **ADDITIONAL INFORMATION 1993/94 - 1998/99 - AUDITED ACCOUNTS**

The Committee directed the Chief Executive to submit copies of the audited accounts and the management letters from the private auditors for the said years to the Auditor-General (Corporations) by 3rd March, 2000.

MINUTE NO.579/2000 **ADDITIONAL INFORMATION - LANGATA PLOT**

The Committee directed the Chief Executive to submit comprehensive report detailing the following by 3rd March, 2000:-

(i) Acreage of the plot

(ii) Sub-divisions, survey and infrastructure undertaken on the plot.

(iii) Purchase price and the expected sale price.

MINUTE NO.580/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Eleven O'clock until this afternoon at

2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Peter Kaindi, M.P.
Hon. P.K.M. Sang', M.P.
Hon. G.M. Parpai, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Ali I. Shabaan, M.P.

ABSENT WITH APOLOGY:

Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit
Mr. J.K. Mukhooli - Deputy Director of Audit
Mr. H.O. Wanyama - Assistant Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa - Deputy Programme Manager

MINUTE NO.581/2000 **EVIDENCE**
CHEMELIL SUGAR COMPANY LTD

Mr. A.R. Tuikong, Managing Director of Chemelil Sugar Company Ltd appeared before the Committee and appraised the Committee on the proposed restructuring of the Company's operations.

MINUTE NO.582/2000 **ADDITIONAL EVIDENCE - PRIVATISATION OF CHEMELIL SUGAR COMPANY LTD**

1. The Committee directed that the Investments

Secretary appear before it at a later date to apprise the Committee on the privatisation process of the Company.

2. The Committee further directed the Chief Executive to submit details of the cost of factory expansion and operations by 3rd March, 2000.

MINUTE NO.583/2000 **1995/96 - 1998/99 - AUDITED ACCOUNTS**

The Committee directed the Chief Executive to submit copies of the audited accounts and the management letters from the private auditors for the said years to the Auditor-General (Corporations) by 3rd March, 2000.

MINUTE NO.584/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Five O'clock until Thursday 24th February, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **23rd March, 2000**

MINUTES OF THE SEVENTY SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON WEDNESDAY 24TH FEBRUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Peter Kaindi, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. Ali Shabaan, M.P.
Hon. David Kombe, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki - Auditor-General (Corporations)
Mr. J.K. Mukhooli - Deputy Director of Audit
Mr. H.O. Wanyama - Assistant Director of Audit
Mr. F.J. Mwasella - Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.W. Mwangi - Deputy Programme Manager
Mr. F.W. King'ori - Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. R.E. Ndubai - Ag. Principal Assistant Inspector

MINUTE NO.585/2000 **EVIDENCE**

The Report and Accounts of Coffee Board of Kenya for the year 1993/94 and the certificate thereon by the Auditor-General (Corporations).

Mr. Ashford M. Miriti, Ag. General Manager, Coffee

Board of Kenya accompanied by Messrs:- Catherine Mulela, Ag. Financial Controller; John Njuguna, Senior Executive Officer; Patrick M. Katingima, former General Manager; D.M. Mereka, Advocate, Mereka & Co. Advocates; and Willy A.A. Divu, Deputy Director of Agriculture, Ministry of Agriculture and Rural Development; appeared before the Committee and gave evidence on the accounts of the Board for the year 1993/94.

MINUTE NO.586/2000 **ADDITIONAL INFORMATION - PARAGRAPH 4 OF 1993/94 ACCOUNTS - PROVISION FOR BAD & DOUBTFUL DEBTS**

The Committee directed that the Registrar of Titles be informed accordingly to registered a Caveat against the title deeds being retained by Coffee Board in respect of the loan of Kshs.10,000,000 advanced to Gatirima/Karatini Estate.

MINUTE NO.587/2000 **PAPERS LAID**

1. The former General Manager of Coffee Board of Kenya, Mr. Patrick M. Katingima tabled various correspondence between the Board, Mr. J.K. Mbugua and the then Chief Secretary Hon. Simeon Nyachae regarding the advance of Kshs.10 million to Gatirima/Karatini Estate.

2. The Chief Executive tabled copies of statements of securities from Central Bank of Kenya from 7th December, 1998 - 28th June, 1999.

MINUTE NO.588/2000 **ADDITIONAL INFORMATION - OVER EXPENDITURE**

The Committee directed both the Chief Executive and the Auditor-General (Corporations) to reconcile the Board's expenditure of Kshs.16 million against the budgetary provision of Kshs. 7 million.

MINUTE NO.589/2000 **DEFERRED EVIDENCE**

The Committee deferred taking evidence on 1994/95 - 1995/96 accounts.

MINUTE NO.590/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Thirty minutes past Twelve O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Peter Kaindi, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali Shabaan, M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mrs F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki - Auditor-General (Corporations)

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa - Deputy Programme Manager

MINUTE NO.591/2000 **EVIDENCE**

The Report and Accounts of Industrial and Commercial Development Corporation for the years 1995/96 - 1996/97 and the certificate thereon by the Auditor-General (Corporations).

Mr. Kipng'etich K. Bett, Executive Director of Industrial and Commercial Development Corporation accompanied by Messrs:- I.B. Mogaka, Corporation Secretary; S.K. Maina, Deputy Equity Manager; B. Kochari, Deputy Loans Manager; G.O. Nyagisere,

Principal Projects Officer; J.A. Obiero, Principal Loans Officer; H.G. Muiruri, Principal Valuer; P.M. Kittundu, Chief Valuer; P.A. Okwiri, Senior Valuer; I. G. Kangari, Senior Valuer; J.C. Mwaura, Chief Accountant; Margaret Chemengich, Permanent Secretary, Ministry of Tourism, Trade and Industry; John Masila, Director of Industry; Alice Gichu, Finance Officer; and John Savage of M/s Savage Holdings Ltd; appeared before the Committee and gave evidence on the accounts of the Corporation for the years 1995/96 - 1996/97.

MINUTE NO.592/2000 **ADDITIONAL INFORMATION - SOYA OIL & FOOD INDUSTRIES LTD**

The Committee directed as follows:-

1. The parent Ministry to supervise the independent valuation of the equipments for the stalled project and submit a report on the same.

2. The Chief Executive to submit copies of the invoices and Import Declaration forms in respect of the supplied equipments for the stalled project by 3rd March, 2000.

MINUTE NO.593/2000 **ADDITIONAL EVIDENCE - SOYA OIL & FOOD INDUSTRIES LTD**

The Committee directed that the following appear before it at a later date together with the management.

(i) Hon. Nicholas Biwott, Minister for Tourism, Trade & Industry.

(ii) Hon. (Prof) George Saitoti, Vice-President.

(iii) Mr. J.P.N. Simba, former Executive Director of ICDC.

(iv) Mr. Charles Mbindyo, former Permanent Secretary, Treasury.

(v) Dr. W. Koinange, former Permanent Secretary, Treasury.

(vi) Mr. John Savage of M/s Savage Holdings Ltd

(vii) Permanent Secretary, Ministry of Tourism, Trade and Industry.

(viii) Mr. Geoffrey Kimaru of ICDC

MINUTE NO.594/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Six O'clock until Friday 25th February, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **23rd March, 2000**

MINUTES OF THE SEVENTY SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON FRIDAY 25TH FEBRUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. John Sambu, M.P.
Hon. Ali Shabaan, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang', M.P.
Hon. David Kombe, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. H.O. Wanyama	-	Assistant Director of Audit
Mr. C. N. Nyanyuki	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C. S. Barasa	-	Deputy Secretary
Mr. T. K. Khakame	-	Chief Accountant

MINUTE NO.595/2000 **EVIDENCE**

NZOIA SUGAR COMPANY

Mr. Peter Du Boulay, General Manager of Nzoia Sugar Company accompanied by Messrs:- Fred Wanyonyi, Company Secretary; A. W. Garden, Finance Manager; J. Muliro, Chairman; F. M. Chahonyo, Managing Director of Kenya Sugar

Authority; and A. M. Gakere, Deputy Secretary, Ministry of Agriculture and Rural Development; appeared before the Committee and gave evidence on the performance of the Technical Management Team -FC Shaffer.

MINUTE NO.596/2000 **ADDITIONAL INFORMATION - PAYMENT TO FARMERS**

The Committee directed the Auditor General (Corporations) to verify the increased payment to farmers from Kshs.152,592,845 to Kshs.441,270,910 as stated by the General Manager.

MINUTE NO. 597/2000 **1994/95 - 1998/99 AUDITED ACCOUNTS OF NZOIA COMPANY**

The Committee directed the Parent Ministry to ensure that the audited accounts of the company for the said years are tabled as soon as Parliament reconvenes in March, 2000.

MINUTE NO.598/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until Monday 28th February, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **23rd March, 2000**

MINUTES OF THE SEVENTY EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON TUESDAY 29TH FEBRUARY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar Badawy, M.P.
Hon. John Sambu, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang', M.P.
Hon. David Kombe, M.P.
Hon. Ali Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. H.O. Wanyama	-	Assistant Director of Audit
Mr. C. N. Nyanyuki	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C. S. Barasa	-	Deputy Secretary
Mr. T. K. Khakame	-	Chief Accountant
Mr. P. T. O. Kopiyo	-	Alternate Director

INSPECTORATE OF STATE CORPORATIONS

Mr. C. B. O. Ochieng	-	Deputy Inspector of State Corporations

MINUTE NO.599/2000 **EVIDENCE**

The Report and Accounts of Muhoroni Sugar Company for the year 1993/94 and the certificate thereon by the Auditor-General (Corporations).

Mr. Fred Oketch Jonam, Managing Director of Muhoroni Sugar Company accompanied by Messrs:- C. B. O. Ombogo, Ag. Financial Controller; E. O. Wanga, former Managing Director; Jashon W. Oluga, former Managing Director; Austine Amulyoto, Head of Finance, Kenya Sugar Authority; and R. Muse Wanasakaami, Under Secretary, Ministry of Agriculture and Rural Development; appeared before the Committee and gave evidence on the accounts of the Company for the year 1993/94.

MINUTE NO. 600/2000 **ADDITIONAL INFORMATION PARAGRAPH 1 OF 1993/94 ACCOUNTS - FINANCIAL POSITION**

1. The Committee directed the Chief Executive of Kenya Sugar Authority to submit the following information by 3rd March, 2000.

   (i) A copy of the letter from Muhoroni Sugar Company requesting for financial assistance from the Authority for the rehabilitation of Sugar plant.

   (ii) A list of the team of experts drawn from the various sugar companies by Kenya Sugar Authority and their terms of reference.

   (iii) Names of officers who certified the construction works at the Company.

   (iv) A confirmation that the Authority subjected the loaning of the Company to the conditionality of the assessment and supervision of the rehabilitation work by the team of experts.

   (v) A confirmation whether the same conditionality for loaning/funding is still applicable to other sugar companies.

(vi) Correspondence between the Authority and the Company in respect of the rehabilitation work.

(vii) How and when the Authority decided to make the fact finding experts team to award the contract and supervise the rehabilitation work at the company.

2. The Managing Director of Muhoroni Sugar Company to submit the following information by the same date.

(i) Board minutes that deliberated and awarded the contract for rehabilitation.

(ii) Copies of the letters that communicated the award of contract to the contractors.

(iii) The news paper cutting(s) for contract advertisement.

3. The Committee directed that the following appear before it together with the management.

(i) Mr. F. Chahonyo - Managing Director of Kenya Sugar Authority.

(ii) Permanent Secretary, Ministry of Agriculture & Rural Development.

(iii) Mr. Joshua Pete, former Factory Manager, in connection with the certification of construction works.

MINUTE NO. 601/2000 **DEFERRED EVIDENCE 1993/94 ACCOUNTS**

The Committee deferred taking evidence on paragraphs 2 - 8 of the said accounts to a later date.

MINUTE NO.602/2000 **ADJOURNMENT**

The Ag. Chairman Hon. P. K. Kaindi adjourned the meeting at thirty minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. Peter Kaindi, M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ali Shabaan, M.P.
Hon. Abubakar Badawy, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. H.O. Wanyama	-	Assistant Director of Audit
Mr. F. J. Mwasella	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. T. K. Khakame	-	Chief Accountant
Mr. L. N. Muthiani	-	Assistant Secretary

INSPECTORATE OF STATE CORPORATION

Mr. E. M. Ngigi	-	Principal Assistant Inspector

MINUTE NO.603/2000 **EVIDENCE**

The Report and Accounts of Nyayo Tea Zones Development Corporation for the year 1993/94

and the certificate thereon by the Auditor-General (Corporations).

Mr. J. A. Sang, Managing Director of Nyayo Tea Zones Development Corporation accompanied by Messrs:- D. Malila, Chief Accountant; D. Ombwaya, Senior Internal Auditor; Z. K. A. Cheruiyot, Permanent Secretary/provincial Administration, Office of the President; E. Muli Mbusi, Chief Finance Officer; M.N.S. Chidzuga, Ag. Senior Principal Accounts Controller; A. W. Mworia, Under Secretary, Ministry of Agriculture and Rural Development; Henry K. Mugo, Accounts Controller, Ministry of Health; John M. Waruingi Senior Accountant; Antony Oyier, former Provincial Commissioner; and Peter Muruatetu, former District Commissioner, Kericho; appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1993/94.

MINUTE NO. 604/2000

ADDITIONAL INFORMATION - PARAGRAPH 2 OF 1993/94 ACCOUNTS - UNSUPPORTED EXPENDITURE

The Committee directed both the Chief Executive and the Office of the President to submit copies of all the cheques allegedly signed by former District Commissioners in respect of the unsupported expenditure by 15th March, 2000.

MINUTE NO. 605/2000

ADDITIONAL INFORMATION - PARAGRAPH 3 OF 1993/94 ACCOUNTS - PURCHASE ADVANCES

Under Minute No. 340/99(2), the Committee directed the Chief executive to submit an analysis of current imprest holders detailing the following by 3rd March, 2000.

(i) Departments and duties executed by each imprest holder.

(ii) The amount advanced on diverse dates in each case.

(iii) The amount surrendered to date and the reasons advanced for not surrendering in full the imprest taken in each case.

MINUTE NO. 606/2000 — **ADDITIONAL INFORMATION - PARAGRAPH 4 OF 1993/94 ACCOUNTS - CASH AND BANK BALANCES**

Under Minute No. 344/99, the Committee noted that the Auditor General (Corporations) had verified an amount of Kshs.150,953.00 erroneously treated in the Corporation's books of accounts.

MINUTE NO. 607/2000 — **ADDITIONAL EVIDENCE - EXPENDITURE ON CIVIL SUIT IN HIGH COURT**

The Committee directed that the following should appear before it to explain the circumstance under which the Corporation authorised the Managing Director to incur expenditure on a legal matter that is apparently personal

(i) Chairman of the Corporation

(ii) Permanent Secretary, Ministry of Agriculture.

MINUTE NO.608/2000 — **ADJOURNMENT**

The Ag. Chairman Hon. Kaindi adjourned the meeting at Six O'clock until Wednesday 1st March, 2000 at 9.00 a.m.

SIGNED: **Hon. Mwangi Githiomi, M.P.**

CHAIRMAN

DATE: **23rd March, 2000**

MINUTES OF THE SEVENTY NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON WEDNESDAY 1ST MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang', M.P.
Hon. David Kombe, M.P.
Hon. Ali Shabaan, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. H.O. Wanyama	-	Assistant Director of Audit
Mr. C. N. Nyanyuki	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B.O. Ochieng	-	Deputy Inspector of State Corporations

MINUTE NO.609/2000

EVIDENCE

The Report and Accounts of Muhoroni Sugar Company for the year 1993/94 and the certificate thereon by the Auditor-General (Corporations).

Mr. Fred Oketch Jonam, Managing Director of Muhoroni Sugar Company accompanied by Messrs:-

C. B. O. Ombogo, Ag. Financial Controller; E. O. Wanga, former Managing Director; J. W. Oluga, former Managing Director; P. T. O. Kopiyo, Deputy Secretary/Alternate Director, Treasury; R. Muse, Wanasakaami, Under Secretary, Ministry of Agriculture and Rural Development; and Austine Amulyoto, Head of Finance, Kenya Sugar Authority; appeared before the Committee and gave evidence on the accounts of the Company for the year 1993/94.

MINUTE NO. 610/2000 **ADDITIONAL INFORMATION - PARAGRAPH 5 OF 1993/94 ACCOUNTS - BUDGETARY CONTROL**

The Committee directed the former Managing Director, Mr. J. W. Oluga to provide the following information by 10th March, 2000.

(i) Details of the Treasury's representatives who pledged to seek endorsement of the Board's decision to incur capital expenditure outside the approved budget.

(ii) A schedule detailing both the companies who tendered for the supply of transport tractors and those who were awarded the tender to supply the same.

MINUTE NO. 611/2000 **ADDITIONAL INFORMATION - PARAGRAPH 6 OF 1993/94 ACCOUNTS - PROCUREMENTS**

The Committee directed the former Managing Director, Mr. J. W. Oluga, to submit a write up on the procurement of goods worth Kshs.6,664,022 by 7th March, 2000.

MINUTE NO. 612/2000 **ADDITIONAL INFORMATION - PARAGRAPH 7 OF 1993/94 ACCOUNTS - SUPPLIERS' NON DISCLOSURE OF V.A.T. COMPONENT ON PURCHASE INVOICES**

The Committee directed the Chief Executive to submit the following information by 7th March, 2000.

(i) Names of the officers who dealt with the suppliers.

(ii) Suppliers of goods worth Kshs.35,343,232.

(iii) Details of the goods supplied for the said amount.

MINUTE NO.613/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. G.M. Parpai, M.P.
Hon. Peter Kaindi, M.P.
Hon. Abubakar Badawy, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.
Hon. Ali Shabaan, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit
Mr. P. K. Muasya	-	Deputy Director of Audit
Mr. E. Odede	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. F. W. Kingori	-	Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. John Kithete - Senior Economist

MINUTE NO.614/2000 **EVIDENCE**

The Report and Accounts of Rural Electrification Schemes for the years 1990/91 - 1992/93 and the certificate thereon by the Auditor-General (Corporations).

Mr. Mwanyengela Ngali, Permanent Secretary, Ministry of Energy accompanied by Messrs:- F. G. Meta, Deputy Secretary/Development; D. W. Ndirangu, Chief Accountant; Nganga Munyu, Principal Economist/Rural Electrification Coordinator; Nancy Kinyua, Chief Accountant; S. K. Gichuru, Managing Director, Kenya Power and Lighting Company, Rosemary Gitonga, Ag. Chief Manager/Customer Service, Rural Electrification; Z.O. Ayieko, Chief Manager (Finance); Charles Choge, Rural Electrification Manager; and E. Otadoh, Principal Accountant/Rural Electrification; appeared before the Committee and gave evidence on the accounts of Rural Electrification schemes for the years 1990/91 - 1992/93.

MINUTE NO. 615/2000 **ADDITIONAL INFORMATION**

The Committee directed the Permanent Secretary to submit the following information by 10th March, 2000.

1. A comprehensive write-up on the auditing of Rural Electrification schemes accounts.

2. The criteria for prioritisation at the national level of the projects to be implemented.

3. Project policy implementation of the Rural Electrification Schemes fund and equitable distribution nationwide.

4. Minutes of the National Development Committee on Rural Electrification Schemes from 1990/91 to-date.

5. Implementation status of all the projects approved by the National Development Committee.

6. Copies of the audited accounts of Rural Electrification schemes for the years 1996/97 - 1998/99.

MINUTE NO.616/2000 **ADJOURNMENT**

The Ag. Chairman Hon. Kaindi adjourned the meeting at Six O'clock until Thursday 2nd March, 2000 at 9.00 a.m.

SIGNED: **Hon. P. K. Kaindi,, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE EIGHTIETH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON THURSDAY 2ND MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. P.K.M. Sang', M.P.
Hon. John Sambu, M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.
Hon. Ali Shabaan, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. M. Maluki	-	Auditor General (Corporations)
Mr. E. N. Wambugu	-	Director of Audit
Mr. P. K. Muasya	-	Deputy Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J. G. Mwangi	-	Deputy Programme Manager
Ms. B. W. Gathirwa	-	Accounts Controller

INSPECTORATE OF STATE CORPORATIONS

Mr. R. E. Ndubai	-	Principal Assistant Inspector

MINUTE NO.617/2000 **EVIDENCE**

The Report and Accounts of National Social Security Fund for the year 1995/96 and the certificate thereon by the Auditor-General (Corporations).

Mr. R. M. Mbaruku, Deputy Managing Trustee (Finance & Investment) accompanied by Messrs: H. Mwashumbe, Chief Legal Officer; S. W. Muindi, former Managing Trustee; Kangethe W. Gitu, Permanent Secretary, Ministry of Labour & Human Resource Development; Mutula Kilonzo, Lawyer, M/s Kilonzo & Co. Advocates; Ann Mululu, advocate, Mutula Kilonzo Junior, Lawyer; Ibrahim Lubia, Legal Clerk; Simon Mauncho, Lawyer; M/s Mauncho & Co. Advocates; and Samuel Amaitsa, Legal Assistant; appeared before the Committee and gave evidence on the accounts of the Fund for the year 1995/96.

MINUTE NO. 618/2000 **ADDITIONAL INFORMATION - FEE NOTES**

The Committee directed Mr. Mutula Kilonzo to submit copies of fee notes raised by his Company to the Fund in respect of legal services rendered.

MINUTE NO.619/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ali Shabaan, M.P.
Hon. John Sambu, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. M. Maluki	-	Auditor General (Corporations)
Mr. E. N. Wambugu-		Director of Audit
Mr. P. K. Muasya	-	Deputy Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J. G. Mwangi	-	Deputy Programme Manager
Ms. B. W. Gathirwa	-	Accounts Controller

INSPECTORATE OF STATE CORPORATIONS

Mr. R. E. Ndubai	-	Principal Assistant Inspector

MINUTE NO.620/2000

EVIDENCE

The Report and Accounts of National Social Security Fund for the year 1995/96 and the certificate thereon by the Auditor-General (Corporations).

Mr. David Masika, Managing Trustee of National Social Security Fund accompanied by Messrs; R. M. Mbaruku, Deputy Managing Trustee (Finance & Investment); H. Mwashumbe, Chief Legal Officer; S. W. Muindi, former Managing Trustee; Kangethe W. Gitu, Permanent Secretary, Ministry of Labour & Human Resource Development; Mutula Kilonzo, Lawyer; M/s Kilonzo & Co. Advocates; Ann Kilonzo Mululu, Advocate; Mutula Kilonzo Junior, Lawyer; A. Kivaa, Lawyer; Ibrahim Lubia, Legal Clerk; S. Mauncho Lawyer, M/s Mauncho & Co. Advocates; Samuel Amaitsa, Legal Assistant; and P. L. Onalo, Advocate, M/s Onalo and Co. Advocates; appeared before the Committee and gave evidence on the accounts of the Fund for the year 1995/96.

MINUTE NO.621/2000 **PAPERS LAID**

Mr. Mutula Kilonzo of M/s Kilonzo & Co. Advocates tabled copies of the fee notes for the following cases,

(i) HCCC No. JO74/93 No. 3 between M/s Sololo Outlets and NSSF.

(ii) Evaluation of completion of project No. 4.

(iii) For advise on restructuring of project and new contract No. 5.

(iv) Legal opinion on termination of contract No. 10.

MINUTE NO. 622/2000 **ADDITIONAL INFORMATION - FEE NOTES**

The Committee directed Mr. Mutula Kilonzo to give the basis for the following fee notes raised by his Company M/s Kilonzo & Co. Advocates by 11th March, 2000.

(i) Fee note of Kshs.30,585,365.90 for advice rendered to the Fund Board meeting held on 26.5.92.

(ii) Fee note of Kshs.9,432,242.00 for HCCC No. 5074 of 1993 between M/s Njama Ltd & NSSF.

MINUTE NO. 623/2000 **ADDITIONAL INFORMATION - REMISSION OF V.A.T**

The Committee directed both Mr. Mutula Kilonzo and Mr. S. Mauncho to submit the following information to the Auditor General (Corporations) by 10th March, 2000.

Documentary evidence in support of the remission of V.A.T. to Kenya Revenue Authority for all the payments made to their companies by the Fund in respect of Legal fees.

MINUTE NO. 624/2000 **ADDITIONAL INFORMATION**

The Committee directed Mr. P. L. Onalo of M/s Onalo & Co. Advocates to submit a copy of the

letter of instruction/appointment from the Fund by 10th March, 2000.

MINUTE NO. 625/2000 **DEFERRED EVIDENCE 1995/96 ACCOUNTS**

The Committee deferred taking evidence on paragraphs 7, 8 and 9 of the said accounts.

MINUTE NO.626/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Six O'clock until Friday 3rd March, 2000 at 9.00 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE EIGHTY FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON FRIDAY 3RD MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. G.M. Parpai, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. P.K.M. Sang', M.P.
Hon. John Sambu, M.P.
Hon. David Kombe, M.P.
Hon. Abubakar Badawy, M.P.

ABSENT WITH APOLOGY:

Hon. Ali Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Peter Kaindi, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit
Mr. J. K. Mukhooli	-	Deputy Director of Audit
Mr. H. O. Wanyama	-	Assistant Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C. S. Barasa	-	Deputy Secretary
Mr. C. N. Kimaru	-	Deputy Secretary
Mr. T. K. Khakame	-	Chief Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. C.B.O. Ochieng	-	Deputy Inspector

MINUTE NO.627/2000 **EVIDENCE**

The Report and Accounts of Mumias Sugar Company and the certificate thereon by the

Auditor-General (Corporations).

Mr. Errol Johnson, Managing Director of Mumias Sugar Company accompanied by Messrs:- Francis L. Oyatsi, Deputy General Manager (Finance); B. Yars, Director, Booker Tate Ltd; F. M. Chahonyo, Managing Director, Kenya Sugar Authority; and A. M. Gakere, Deputy Secretary, Ministry of Agriculture and Rural Development; appeared before the Committee and appraised the Committee on the performance and achievements of M/s Booker Tate Ltd since they were engaged as Technical Management Team for Mumias Sugar Company.

MINUTE NO. 628/2000 **ADDITIONAL INFORMATION**

The Committee directed both the Managing Director of Kenya Sugar Authority and the Permanent Secretary Ministry of Agriculture & Rural Development to submit the following information by 7th March, 2000.

A comprehensive write up detailing the merits and demerits of Technical Management of the Sugar Companies by Tuesday 7th March, 2000.

MINUTE NO.629/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until Monday 6th March, 2000 at 10.00 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE EIGHTY SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON MONDAY 6TH MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. Joseph A. Donde, M.P.
Hon. John Sambu, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Ali Shabaan, M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ochilo Ayacko, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. M. Maluki	-	Auditor General (Corporations)
Mr. E. N. Wambugu	-	Director of Audit
Mr. P. K. Muasya	-	Deputy Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist
Mr. F. W. Kingori	-	Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. R. E. Ndubai	-	Principal Assistant Inspector

MINUTE NO.630/2000 **EVIDENCE**

The Report and Accounts of National Social Security Fund for the year 1995/96 and the

certificate thereon by the Auditor-General (Corporations).

Mr. D. W. Masika, Managing Trustee of National Social Security Fund accompanied by Messrs:- E. C. Sakwa, Investments Officer; Ms. H. M. Mwashumbe, Chief Legal Officer; A.S.N. Ndwiga - Estates Manager; and S. Muindi former Managing Trustee; appeared before the Committee and gave evidence on the accounts of the Fund for the year 1995/96.

MINUTE NO. 631/2000 **ADDITIONAL EVIDENCE - PARAGRAPH 6.0 - INVESTMENTS**

The Committee directed the management to submit a copy of the Mukuria Report which outlined investment policy by State Corporations.

MINUTE NO.632/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Twelve O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.
Hon. Ali Shabaan, M.P.
Hon. John Sambu, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. M. Maluki	-	Auditor General (Corporations)
Mr. E. N. Wambugu	-	Director of Audit
Mr. P. K. Muasya	-	Deputy Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R. O. Onyuna	-	Senior Economist
Ms. F.W. Kingori	-	Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. R. E. Ndubai	-	Principal Assistant Inspector

MINUTE NO.633/2000 **EVIDENCE**

The Report and Accounts of National Social Security Fund for the year 1995/96 and the certificate thereon by the Auditor-General (Corporations).

Mr. David Masika, Managing Trustee of National Social Security Fund accompanied by his team re-appeared before the Committee and gave further evidence on the accounts of the Fund for the year 1995/96.

MINUTE NO.634/2000 **ADDITIONAL INFORMATION - PARAGRAPH 6.0 - INVESTMENTS**

The Committee directed the Chief Executive to submit the following information by 16th March, 2000.

(i) In liaison with the former Managing Trustee, Mr. Muindi, to give names of the Directors of Guardian International Company.

(ii) A list of plots purchased by the Fund since 1989, containing the LR Nos, the valuation price and the purchase price.

MINUTE NO. 635/2000 **PAPERS LAID**

The following papers were laid during the deliberations of the Committee:-

(i) A list of vendors for properties purchased by the Fund.

(ii) A schedule of service arrears for the period from 1st July, 1996 to 30th June, 1998.

MINUTE NO. 636/2000 **ADDITIONAL INFORMATION - PARAGRAPH 7.0 TERM DEPOSITS**

The Treasury was directed to provide copies of letters authorising the Fund to place short term deposits with six financial institutions

MINUTE NO. 637/2000 **REVISED SITTING PROGRAMME**

The Committee considered the pending issues on the Corporations that have appeared and resolved that the following be included in the revised sitting programme:-

1. Kenya Airports Authority
2. Kenya Tea Development Authority
3. Kenya Ports Authority
4. National Cereals and Produce Board
5. Kenya Pipeline Company
6. Teachers Service Commission
7. Kerio Valley Development Authority
8. National Water Conservation and Pipeline Corporation
9. Industrial and Commercial Development Corporation
10. Kenya Re-Insurance Company
11. Catering Levy Trustee

MINUTE NO.638/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Six O'clock until Tuesday 7th March, 2000 at 9.00 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE EIGHTY THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON TUESDAY 7TH MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Abubakar Badawy, M.P.
Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ochilo Ayacko, M.P.

ABSENT WITH APOLOGY:

Hon. Ali Shabaan, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. John Sambu, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. M. Maluki	-	Auditor General (Corporations)
Mr. E. N. Wambugu	-	Director of Audit
Mr. E. H. Gikonyo	-	Deputy Director of Audit
Mr. N. O. Were	-	Senior Auditor

MINUTE NO.639/2000 **EVIDENCE**

The Report and Accounts of Kenyatta University for the year 1991/92 and the certificate thereon by the Auditor-General (Corporations).

Prof. George Eshiwani, Vice Chancellor of Kenyatta University accompanied by Messrs:- S. Rajab, Deputy Vice Chancellor (Administration); Prof. E. K. Maritim, Deputy Commission Secretary, Commission for Higher Education; Simeon ole Kirgotty - Registrar of Motor Vehicles; S. B. A. Muguna, Ag. Deputy Registrar (Academic); Kabuthi Muiruri, Ag. Chief Accountant; Joseph Ghatii, Senior Accountant; Richard Okeyo, Senior Accountant; Joseph Musyoka

Accountant; J. K. Mugambi, Senior Assistant Secretary, Ministry of Education, Science and Technology; and C. Thuku, Assistant Director of Education; appeared before the Committee and gave evidence on the Accounts of the University for the year 1991/92.

MINUTE NO. 640/2000 **ADDITIONAL EVIDENCE - PARAGRAPH 6 - IRREGULAR EXPENDITURE**

The Registrar of Motor Vehicles to confirm in writing to the Committee whether or not the transfer of ownership of vehicle No. KXB 616 to Mr. Ashington Ngigi was sealed under the hand of an officer legally bound to do so.

MINUTE NO. 641/2000 **ADDITIONAL EVIDENCE - PARAGRAPH 4 OF 1991/92 ACCOUNTS - DEBTORS**

The Parent Ministry was directed by the Committee to explain what action it is taking to clear an amount of Kshs.9,945,665.60 allegedly owed to the University in respect of capital development.

MINUTE NO. 642/2000 **ADDITIONAL EVIDENCE - PARAGRAPH 5 OF THE 1991/92 ACCOUNTS - CREDITORS**

The Committee redirected both Chief Executive and the parent Ministry to reconcile the outstanding creditors of K£60,907 and submit the details to the Auditor-General (Corporations) by 15th March, 2000 for verification.

MINUTE NO. 643/2000 **DEFERRED EVIDENCE - PARAGRAPH 2 OF 1991/92 ACCOUNTS - CONTRACTS**

The Committee deferred taking evidence on the paragraph until this afternoon.

MINUTE NO.644/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Twelve O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. G.M. Parpai, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.
Hon. Joseph A. Donde, M.P.

ABSENT WITH APOLOGY:

Hon. Peter Kaindi, M.P.
Hon. Ali Shabaan, M.P.
Hon. John Sambu, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit
Mr. E. H. Gikonyo	-	Deputy Director of Audit
Mr. N. O. Were	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. T. K. Khakame	-	Chief Accountant
Mr. F. W. Kingori	-	Assistant Secretary

MINUTE NO.645/2000

EVIDENCE

The Report and Accounts of Kenyatta University and Kenyatta University Students Accommodation Board for the years ended 30th June 1992 and 30th June, 1988/89 respectively and the certificates thereon by Auditor-General (Corporations).

Prof. George Eshiwani, Vice-Chancellor of Kenyatta University accompanied by Prof. M. S. Rajab, Deputy Vice-Chancellor (Administration); S.B.A. Muguna

Ag. Deputy Registrar (Academic); Kabuthi Muiruri Ag. Deputy Registrar; K. W. Simiyu, Ag. Chief Accountant; Richard K. Okeyo, Senior Accountant; Joseph Ghatu, Senior Accountant; Mr. Evans Anyula, Accountant; K. K. Patel, Director, M/s Mistry; Jadua Parbat; J. K. Mugambi, Senior Assistant Secretary, Ministry of Education, Science & Technology; and C. Thuku, Assistant Director of Education; appeared before the Committee and gave evidence on the accounts of the University and USAB, Kenyatta University.

MINUTE NO.646/2000

ADDITIONAL INFORMATION - KENYATTA UNIVERSITY 1991/92 ACCOUNTS - PARAGRAPH 2 (CONTRACTS)

1. The Committee directed the Permanent Secretary to submit a write up on what occasioned the delay in the disbursement of funds to the University for the said contracts by 11th March, 2000.

2. The Committee further directed the Vice Chancellor to submit a detailed write up on the stalled projects associated with the contracts stated in the said paragraphs.

3. The Committee also directed that the following to appear before it together with the management at a later date in connection with the said contracts.

   (i) Permanent Secretary, Treasury.

   (ii) Permanent Secretary, Ministry of Education, Science & Technology.

MINUTE NO.647/2000

ADDITIONAL EVIDENCE - USAB 1988/89 ACCOUNTS - PARAGRAPH 2 - CONSTRUCTION CONTRACTS

Under Minute No. 294/99, the Committee directed that Mr. R. M. Mbato, the then General Manager of USAB appear before it with the management at a later date.

MINUTE NO.648/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Five O'clock until Wednesday 8th March, 2000 at 9.00 a.m.

SIGNED: **Hon. P.K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE EIGHTY FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON WEDNESDAY 8TH MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Abubakar Badawy, M.P.
Hon. David Kombe, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. John Sambu, M.P.

ABSENT WITH APOLOGY:

Hon. Ali Shabaan, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. M. Maluki	-	Auditor General (Corporations)

INSPECTORATE OF STATE CORPORATIONS

Mr. J. M. Otenyo	-	Inspector of State Corporations

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C. S. Barasa	-	Deputy Secretary

MINUTE NO.649/2000 **MEETING WITH THE PERMANENT SECRETARY/SECRETARY TO THE CABINET AND HEAD OF PUBLIC SERVICE; ATTORNEY GENERAL; PERMANENT SECRETARY, TREASURY; INVESTMENTS SECRETARY; AND AG. DIRECTOR, DIRECTORATE OF PERSONNEL MANAGEMENT**

Dr. Richard Leakey, Permanent Secretary/Secretary to the Cabinet and Head of Public Service accompanied by Messrs: Hon. Amos Wako, Attorney General; Mr. Luke Martin Oduor - Otieno, Permanent Secretary, Treasury; Mr. George Mitine, Investments Secretary; and Mr. James Ongwaye, Ag. Director, Directorate of Personnel Management; appeared before the Committee and appraised the Committee on the implementation status of the Public Investments Committee reports that have been adopted by the House.

MINUTE NO. 650/2000 **IMPLEMENTATION STATUS OF SPECIFIC RECOMMENDATIONS IN THE 6TH & 7TH PUBLIC INVESTMENTS COMMITTEE REPORTS**

1. **Legal action on Corruption, misappropriation and mismanagement of funds in State Corporations.**

   (i) Mr. Alfred Kiptanui Keter - (National Cereals and Produce Board). The Attorney General informed the Committee that the said person has moved abroad to a country where Kenya has no extradition treaty.

   (ii) Mr. D. K. Tirop and Mr. P. K. arap Magut (Kenya National Trading Corporations).

   The Committee was informed that the Attorney General is still awaiting the investigation report from the Commissioner of police.

   (iii) Mr. Cyrus Maina (Teachers Service Commission)

Attorney General informed the Committee that the refund of Kshs. 2 million by Mr. Cyrus Maina does not absolve him from being prosecuted.

(iv) Mr. Alfrck Birgen (TARDA).
The Attorney General informed the Committee that the appeal against the sentence is yet to be heard.

(v) Mr. Justus Mudavadi (Kenya Sugar Authority)
The Attorney General informed the Committee that the Kenya Sugar Authority should take action.

(vi) Mr. Lawi Kiplagat (Milling Corporation of Kenya. The Committee was informed that the Attorney General is still awaiting the investigation report from the Police Commissioner.

2. **Amendment of the Penal Code to deal with the economic crimes**

The Attorney General informed the Committee that the task force has submitted its report and that the Attorney General is liaising with KACA and Select Committee on Anti-Corruption with a view to publishing a bill on economic crimes soon.

3. **Exemption of Corporations from the provisions of the State Corporations Act (Cap 446)**

The Committee was informed that the proposed amendment bill to the state Corporations Act (Cap 446) is awaiting cabinet approval.

4. **Privatisation**

The Permanent Secretary, Treasury informed the Committee that a policy paper on the legislation of privatisation is awaiting cabinet approval.

The Committee was further informed that future privatisation will be undertaken within the proposed policy paper framework.

The Committee directed the Permanent Secretary, Treasury to submit the following information by 21st March, 2000.

(i) A write up on the privatisation process (stage) of Kenya Ports Authority and the Sugar Companies.

(ii) The basis of categorisation of the State Corporations as strategic and non strategic.

MINUTE NO. 651/2000 **MEETING WITH THE BIG FIVE**

The Committee resolved to have a meeting with the "Big Five" on Wednesday 22nd March, 2000 at 9.00 a.m.

MINUTE NO.652/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at one O'clock until Thursday 9th March, 2000 at 9.00 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE EIGHTY FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON THURSDAY 9TH MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Peter Kaindi, M.P. **(Ag. Chairman)**
Hon. G.M. Parpai, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. John Sambu, M.P.

ABSENT WITH APOLOGY:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. David Kombe, M.P.
Hon. Ali Shabaan, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. J. K. Mukhooli	-	Deputy Director of Audit
Mr. P.O. Ogola	-	Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. E. M. Ngigi	-	Principal Assistant Inspector

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R. O. Onyuna	-	Senior Economist

MINUTE NO.653/2000 **EVIDENCE**

NATIONAL HOSPITAL INSURANCE FUND

Mr. Joshua P. K. Mutai, Ag. Chief Executive of National Hospital Insurance Fund accompanied by

Messrs: Dr. Jennifer N. Rina, Board Chairman; S. R. K. Wambugu, Chief Accountant; Lucy Rono, Legal Officer; W. K. Mosonik, Computer Systems Analyst; N. K. Kaimoi, Supplies Officer; K. P. A. Langat, immediate former Managing Director; M. W. Ojiambo, Under Secretary, Ministry of Health; and Lilian Mwaura, Lawyer, M/s K. Mwaura Co. Advocates; appeared before the Committee and gave evidence on the accounts of the Fund.

MINUTE NO.654/2000 **ADDITIONAL INFORMATION -PURCHASE OF PLOT FOR MEDICARE PROJECT**

The Committee directed the Chief Executive to submit a copy of the management paper which was presented to the Board on the purchase of the said plot by 17th March, 2000.

MINUTE NO.655/2000 **PAPERS LAID**

1. Mrs. Lilian Mwaura of M/s K. Mwaura & Co. Advocates tabled the following papers during the deliberations of the Committee.

   (i) A copy of the sale agreement between M/s Kurwa Ltd M/s Bentcross Properties Ltd in respect of plot L. R. No.209/12987.

   (ii) A copy of the letter from M/s K. Mwaura & Co. Advocates to the Fund offering plot L. R. No.209/12987 for sale at Kshs.140 million.

   (iii) A copy of the letter from the Fund acknowledging the Fund's interest to purchase plot L. R. No. 209/12987.

2. Mr. K. P. A. Langat, former Managing Director of National Hospital Insurance Fund tabled copies of the following letters:-

   (i) A letter from the then Permanent Secretary, Ministry of Health Mr. Philemon Mwaisaka authorising the Fund to purchase plots L. R. No. 209./12987 and L. R. No. 209/11140.

(ii) A copy of the cheque drawn in favour of M/s K. Mwaura Co. Advocates for Kshs.96 million.

MINUTE NO. 656/2000 **ADDITIONAL EVIDENCE**

The Committee directed the following to appear before it at a later date:-

(i) Prof. Julius Meme, PS Ministry of Health;
(ii) Mr. Philemon Mwaisaka, former PS Ministry of Health;
(iii) Mr. Mwaniki, Government Chief Valuer;
(iv) M/s Jim Choge & Co. Advocates;
(v) Mr. K. P. Langat;
(vi) Mr. Kilel;
(vii) M/s Mwaura & Co. Advocates.

MINUTE NO.657/2000 **ADJOURNMENT**

The Ag. Chairman Hon. Ayacko adjourned the meeting at thirty minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Ali Shabaan, M.P.
Hon. John Sambu, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.

ABSENT WITH APOLOGY:

Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant
Mrs. F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. Maluki	-	Auditor General (Corporations)
Mr. P. K. Muasya	-	Deputy Director of Audit
Mr. G. O. Osaho	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J. G. Mwangi	-	Deputy Programme Manager
Mr. B. W. Gathirwa	-	Accounts controller

MINUTE NO.658/2000 **EVIDENCE**

The Report and Accounts of Export Processing Zone Authority for the years 1993/94 - 1996/97 and the certificate thereon by the Auditor General (Corporations).

Mr. Samuel Bundotich, Managing Director of Export Processing zone Authority accompanied by messrs:- R. Kigunda, Senior Operations Manager; John Kitiku, Engineer; Joy Mideva, Land Economist; N. A. Bachoo, Ag. Finance Manager; Nyaribo, Director, Ministry of Trade, Tourism and Industry; R. K. Oliver, Operations Manager, M/s Mugoya Construction Company; and Banjamin Orieko, Public Relations Manager, M/s Sogea Construction Company; appeared before the Committee and gave evidence on the accounts of the Authority for the years 1993/94 - 1996/97.

MINUTE NO.659/2000 **DEFERRED EVIDENCE - PARAGRAPH 1 OF 1993/94 ACCOUNTS - FIXED ASSETS (CONTRACTS)**

Under Minute No.244/99 2(iii), the Committee directed that following to appear before it at a later date.

(i) M/s Mangat I. B. Patel & Partners

(ii) M/s Harban Singh Associates

(iii) M/s Mugoya Construction & Engineering Co. Ltd

(iv) M/s Intex Construction Limited.

(v) M/s Sogea Kenya Branch.

(vi) The Director of Water Development, Ministry of Environment and Natural Resources.

(vii) The Investment Secretary (DGIPE), Treasury.

MINUTE NO.660/2000 **ADDITIONAL INFORMATION - CONTRACT VARIATIONS & CONTRACT CLAIMS**

The Committee directed both the Authority and the project contractors to submit the following information to the Auditor General (Corporations) by 19th March, 2000.

1. A schedule detailing the movement of the currency, the ruling exchange rate and the amounts outstanding during the contract period.

2. Specific duration for which the Authority delayed payments to the contractors and the computation of the penalties for the delayed payments.

MINUTE NO.661/2000 **DEFERRED EVIDENCE - 1996/97 ACCOUNTS**

The Committee deferred taking evidence on the 1996/97 Accounts

MINUTE NO.662/2000 **ADJOURNMENT**

The Ag. Chairman Hon. Kaindi adjourned the meeting at thirty minutes past Five O'clock until Friday 10th March, 2000 at 9.00 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE EIGHTY SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON FRIDAY 10TH MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. John Sambu, M.P.

ABSENT WITH APOLOGY:

Hon. Peter Kaindi, M.P.
Hon. David Kombe, M.P.
Hon. Ali Shabaan, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. P. K. Muasya	-	Deputy Director of Audit
Mrs. Mary Muasya	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr.S.M.K. Kutungu	-	Principal Economist
Mr. L. Muthiani	-	Assistant Secretary

MINUTE NO.663/2000 **EVIDENCE**

The Report and Accounts of Kenya National Trading Corporation for the year 1994/95 and the certificate thereon by the Auditor General (Corporations).

Eng. H. K. A. Rotich, Managing Director, Kenya National Trading Corporation accompanied by Messrs:- M. K. Kolum, Personnel Manager; R. O. Alula, Chief Accountant; L. W. Wanjohi, Company

Secretary; Kennedy Nyaga, Credit Controller; S. K. Mwaita, Commissioner of Lands; and H. O. Kibanda, Deputy Director of Internal Trade, Ministry of Tourism, Trade and Industry; appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1994/95.

MINUTE NO. 664/2000 **ADDITIONAL INFORMATION - KARATINA - BLOCK 1/71**

Under Minute No.316/99 (2), the Committee directed the Commissioner of Lands to investigate how the sub-lease was registered in favour of M/s New Bakery Ltd and report back by 20th March, 2000.

MINUTE NO. 665/2000 **ADDITIONAL INFORMATION DIRECTORSHIP**

The Committee directed that the Registrar of Companies should avail the directors of the following companies.

(i) M/s Kenya Trade combine and ABC Foods (1977)
(ii) M/s Davito Investment Chemicals and Business system Ltd.
(iii) M/s Bell Chemicals
(iv) M/s Trade wings Ltd.

MINUTE NO. 666/2000 **ADDITIONAL EVIDENCE**

The Committee directed the Chief Executive to submit the following information by 24th March, 2000.

(i) A copy of the report by the holding company ICDC on the revival of KNTC.

(ii) When the Internal Audit Report on Coffee Trade loss was submitted to the Criminal Investigation Department.

(iii) A copy of the letter from the CID acknowledging the receipt of the said Internal Audit Report.

MINUTE NO. 667/2000 **EVIDENCE**

NATIONAL HOSPITAL INSURANCE FUND

Mr. Peter Matui, Ag. Managing Director of National Hospital Insurance Fund appeared before the Committee and gave evidence on the plots purchased by the Fund.

MINUTE NO.668/2000 **ADDITIONAL INFORMATION - PLOT OPPOSITE AFYA HOUSE**

The Committee directed the Chief Executive to establish whether or not the Fund bought a plot opposite Afya House and give a feedback by 21st March, 2000.

MINUTE NO.669/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until Monday 13th March, 2000 at 2.30 p.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE EIGHTY SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON MONDAY 13TH MARCH, 2000 AT 2.30 P.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.
Hon. Ali Shabaan, M.P.
Hon. Peter Kaindi, M.P.
Hon. Abubakar Badawy, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. G.M. Parpai, M.P.
Hon. John Sambu, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. M. Maluki	-	Auditor General (Corporations)
Mr. J. K. Mukhooli	-	Deputy Director of Audit
Mr. P. K. Muasya	-	Deputy Director of Audit
Mr. B. O. Omolo	-	Senior Auditor
Mr. S.E.M. Odede	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. S. Kitungu	-	Principal Economist
Mr. F. King'ori	-	Assistant Secretary

MINUTE NO.670/2000 **EVIDENCE**

The Report and Accounts of Kerio Valley Development Authority for the year 1995/96 and the certificate thereon by the Auditor General (Corporations).

Mr. Emmanuel Imana, Managing Director of Kerio Valley Development Authority accompanied by

Messrs:- J. K. Cherop, Deputy Managing Director; Z. M. Shigogodi, Financial Controller; and W. A. Onono, Deputy Secretary, Ministry of Agriculture and Rural Development; appeared before the Committee and gave evidence on the accounts of the Authority for the year 1995/96.

MINUTE NO. 671/2000 **ADDITIONAL INFORMATION - PARAGRAPH 5 OF 1995/96 ACCOUNTS DIRECT PAYMENT OF LEGAL FEES**

The Committee directed the Chief Executive to submit the following information by Friday 17th March, 2000

An analysis detailing the following in respect of the court cases.

(i) Fee notes raised by M/s Jim Choge & Co. Advocates for each case.

(ii) Legal fees paid by the Authority for each case.

(iii) Courts determination for each case.

(iv) Indemnity or insurance cover for each case.

MINUTE NO. 672/2000 **PAPER LAID**

The Chief Executive tabled a copy of the Board's minutes that authorised the Authority to purchase the plot LR. No. ELD.MUN/BLOCK 8/514 and 515 at Kshs.6.6 million.

MINUTE NO. 673/2000 **ADDITIONAL INFORMATION - PARAGRAPH 4 1995/96 PURCHASE OF LAND - KSH.6.6 MILLION**

The Committee directed the Chief Executive to submit the details of expenditure incurred by the Authority on the valuation of the said parcel of land.

MINUTE NO.674/2000 **EVIDENCE**

The Report and Accounts of Kenya Tea Development Authority for the year 1994/95 and the certificate thereon by the Auditor General (Corporations).

Mr. G. M. Kimani, Managing Director of Kenya Tea Development Authority accompanied by Messrs:- S. M. M'Imanyara, Chairman; R. D. Cheruiyot, General Manager; J. Shigoli, Corporation Secretary; I. M. Mbiu, Ag. Financial Controller; E. G. Karanja, former Managing Director; J. N. Ethang'atha, former Crops Development Manager; Joseph Njuguna Thairu, Deputy Secretary, Ministry of Agriculture and Rural Development; and Willy A. A. Diru, Deputy Director of Agriculture; appeared before the Committee and gave evidence on the accounts of the Authority for the year 1994/95.

MINUTE NO. 675/2000 **ADDITIONAL INFORMATION - PARAGRAPH 6 OF 1994/95 ACCOUNTS - OLENGURUONE TEA PROJECT**

The Committee directed the Permanent Secretary, Ministry of Agriculture to submit a detailed write up on the action being taken by the Ministry to reimburse the Authority for the expenditure incurred on behalf of the Government in respect of the tea project.

MINUTE NO.676/2000 **ADDITIONAL EVIDENCE - PARAGRAPHS 4, 5 & 6 OF KERIO VALLEY DEVELOPMENT AUTHORITY 1994/95 ACCOUNTS**

The Committee directed that the former managing Director, Mr. Paul Chemweno appears before it at a later in connection with the said paragraphs.

MINUTE NO.677/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Seven O'clock until Tuesday 14th March, 2000 at 9.00 p.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE EIGHTY EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON TUESDAY 14TH MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. Ali Shabaan, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. M. Maluki	-	Auditor General (Corporations)
Mr. P. K. Muasya	-	Deputy Director of Audit
Mr. G. Osaho	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J. G. Mwangi	-	Deputy Programme Manager
Mr. T. K. Khakame	-	Chief Accountant

INSPECTOR OF STATE CORPORATIONS

Mr. G. M. Ngigi	-	Principal Assistant Inspector

MINUTE NO.678/2000 **EVIDENCE**

The Report and Accounts of Kenya Airports Authority for the year 1994/95 and the

certificate thereon by the Auditor General (Corporations).

Mr. M.S. Muriithi, Managing Director of Kenya Airports Authority accompanied by Messrs:- Janet Ongera, Deputy Managing Director; J. S. Mutua, General Manager (Finance); L. Moss, General Manager (Personnel & Administration); M. Mukwana, General Manager (Engineering Services); B. A. Omuse, former Managing Director; J. M. Mirichi, former General Manager (Commercial Services); Patrick Sau Mutemi, former General Manager (Finance); G. Njunge, former Cashier; and J. F. Agili, Alternate Director, Office of the President; appeared before the Committee and gave evidence on the accounts of the Authority for the year 1994/95.

MINUTE NO. 679/2000 **PAPER LAID**

Mr. J. M. Mirichi, former General Manager (Commercial Services) tabled the following papers during the deliberations of the Committee:

(i) A copy of the petty cash voucher purportedly signed by Mr. Patrick sau Mutemi, former General Manager (Finance & Accounts) on receipt of US$93,970.

(ii) A copy of the letter from the former General Manager Mr. Patrick sau Mutemi conveying the transfer of cash and banking function to his office.

MINUTE NO. 680/2000 **ADDITIONAL INFORMATION - FINANCIAL IRREGULARITIES**

The Committee directed the former Managing Director Mr. B. Omuse to submit a write-up on the actions he took following the receipt of a letter Ref.KAA/A6/01/02 Vol. 4 dated 17th October 1994 from Mr. Patrick Sau Mutemi citing financial irregularities in the Corporation.

MINUTE NO. 681/2000 **INSPECTION TOUR OF JOMO KENYATTA INTERNATIONAL AIRPORT**

The Committee resolved to inspect the rehabilitation

project at Kenyatta International Airport at a later date and directed that contractors of the project should be present during the visit.

MINUTE NO.682/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past Two O'clock until this afternoon at 3.00 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar Badawy, M.P.
Hon. John Sambu, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Joseph A. Donde, M.P.

ABSENT WITH APOLOGY:

Hon. Ali Shabaan, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs: F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor General (Corporations)
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. G.O. Onyango	-	Assistant Director of Audit
Mr. H.O. Wanyama	-	Assistant Director of Audit
Mr. S.K. Mbuko	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Deputy Programme

Mr. T.K. Khakame - Manager
Chief Accountant

MINUTE NO.683/2000 **EVIDENCE**

The Report and Accounts of Kenya Pipeline Company for the year 1995/96 and the certificate thereon by the Auditor General (Corporations).

Mr. E. K. C. Komen, Managing Director of Kenya Pipeline Company accompanied by messrs:- P. N. Gituku, Corporate Planning & Project Manager; Helen Njue, Finance Manager; Mary Kiptui, Company Secretary; W. N. Mbote, former Managing Director; and F. Gathungu Meta, Deputy Secretary, Ministry of Energy; appeared before the Committee and gave evidence on the accounts of the Company for the year 1995/96.

MINUTE NO.684/2000 **ISSUES TO RAISE WITH THE BIG FIVE**

Under Minute No.516/2000, the Committee resolved to raise the issue of Kenya Pipeline Company banking with Commercial Bank of Africa with the "Big Five".

MINUTE NO.685/2000 **ADDITIONAL INFORMATION PARAGRAPH 4 OF 1995/96 ACCOUNTS - INVESTMENTS**

The Committee directed the Investment Secretary to submit a write up on the action being taken by the Treasury to redeem an amount of Kshs.66,500,000 held by the defunct financial institutions taken over by the Consolidated Bank of Kenya.

MINUTE NO.686/2000 **PAPER LAID**

The Managing Director tabled a copy of the letter from the Treasury authorising the Company to continue banking with Commercial Bank of Africa.

MINUTE NO.687/2000 **EVIDENCE**

The Report and Accounts of National Cereals and Produce Board for the year 1995/96 and the certificate thereon by the Auditor General (Corporations).

Maj. (Rtd) W. K. Koitaba, Managing Director of National Cereals and Produce Board accompanied by Messrs:- W. K. Maina, General Manager (Finance & Administration); C. S. Khaemba, Chief Accountant; P. N. Mutua, Chief Internal Auditor; A. G. Kamau, Chief Legal Officer; and J. K. Gichuhi, Chief Finance Officer, Ministry of Agriculture and Rural Development; appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1995/96.

MINUTE NO.688/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Six O'clock until Wednesday 15th March, 2000 at 9.00 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE EIGHTY NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON WEDNESDAY 15TH MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Ali Shabaan, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. M. Maluki	-	Auditor General (Corporations)
Mr. J. K. Mukhooli	-	Deputy Director of Audit
Mr. F. J. Mwasella	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. T. K. Khakame	-	Chief Accountant
Mr. L. N. Muthiani	-	Assistant Secretary

INSPECTOR OF STATE CORPORATIONS

Mr. C. B. Ochieng	-	Deputy Inspector of State Corporations

MINUTE NO.689/2000 **EVIDENCE**

The Report and Accounts of Teachers Service Commission for the year 1994/95 and the certificate thereon by the Auditor General (Corporations).

Mr. Benjamin K. Sogomo, Secretary of Teachers Service Commission accompanied by Messrs:- Wilfred Muthuuri, Deputy Secretary (Finance); Francis K. Arap Sang, Director, Criminal Investigation Department, and Noah Too, former Director of CID; appeared before the Committee and gave evidence on the accounts of the Commission for the year 1994/95.

MINUTE NO.690/2000 **ADDITIONAL EVIDENCE - PARAGRAPH 2.2 OF 1994/95 ACCOUNTS - UNCLAIMED SALARIES**

1. **Under Minute No.543/2000,** the Committee directed that the following appear before it together with the management on Tuesday 21st March, 2000.

   (i) Director of CID
   (ii) Former Director of CID
   (iii) Provincial Commissioner, Nairobi Mr. Cyrus Maina.
   (iv) The Investigation Officer, Mr. Kibera Karanja.

2. The Committee further directed the Director of CID to appoint another investigation officer to handle Mr. Cyrus Maina's case in view of the apparent frustration of the case by Mr. Kibera Karanja.

MINUTE NO.691/2000 **INSPECTION TOUR OF TEACHERS SERVICE COMMISSION HEADQUARTERS**

The Committee members arrived at the Teachers Service Commission headquarters at thirty minutes past Eleven O'clock and were met by the management team.

Thereafter, the Committee members made an extensive tour of the Teachers Service Commission partitioned offices.

MINUTE NO.692/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty Minutes past One O'clock until Thursday 16th March, 2000 at 9.00 a.m.

SIGNED: Hon. P. K. Kaindi, M.P.

AG. CHAIRMAN

DATE: 18th July, 2000

MINUTES OF THE NINETIETH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON THURSDAY 16TH MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. David Kombe, M.P.
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. Ali Shabaan, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit
Mr. E.H. Gikonyo	-	Deputy Director of Audit
Mr. R. Bichanga	-	Principal Auditor
Mr. F.J. Mwasella	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. S. Kitungu	-	Principal Economist

INSPECTOR OF STATE CORPORATIONS

Mr. C.B. Ochieng	-	Deputy Inspector of State Corporations

MINUTE NO.693/2000 **EVIDENCE**

The Report and Accounts of Kenya Posts and Telecommunications Corporation for the year

1995/96 and the certificate thereon by the Auditor General (Corporations).

Mr. A. K. Cheserem, Managing Director of Telcom Kenya Ltd., accompanied by Messrs:- A. N. Nzano, General Manager (Finance & Accounts) S. D. Kamau, Manager (Financial Accounting); J. K. Naswan, Manager (Architectural Services); Jan Mutai, former managing Director; K. D. Malakwen, former Corporation Secretary; S. Chepkonga, immediate former Corporation Secretary; S. K. Mwaita, Commissioner of lands; Omondi Mbago, Registrar of Companies; Nyambura Musyimi, Advocate/partner, M/s Musyimi & Co. Advocates; Winfred Gitao, Advocate; J. K. Yego, Director M/s Chalan Associates Ltd; and F.R.N. Jillo, Ag. Town Clerk Malindi Municipal Council; appeared before the Committee and gave evidence on the accounts of Kenya Ports & Telecommunications Corporation for the year 1995/96.

MINUTE NO.694/2000

ADDITIONAL INFORMATION - PARAGRAPH 3 OF 1995/96 ACCOUNTS - SALE OF DRIVE-IN ESTATE

The Committee directed the Registrar of Companies to submit the details of the directors of the following companies.

(i) M/s Arison Export/Import Ltd

(ii) M/s Drive in Estate Developers Ltd.

MINUTE NO.695/2000

ADDITIONAL EVIDENCE - PARAGRAPH 3 OF 1995/96 ACCOUNTS - SALE OF DRIVE-IN ESTATE

The Committee directed that the following appear before it at a later date.

(i) Hon. Kipngeno arap Ng'eny - former Managing Director

(ii) Mr. K. D. Malakwen, former Corporation Secretary.

(iii) Registrar of Companies

(iv) Permanent Secretary/Provincial Administration Office of the President.

(v) The Developer of Project.

MINUTE NO.696/2000 **ADDITIONAL INFORMATION - SALE OF MALINDI PLOT**

1. The Committee directed Mr. J. Yego of M/s Chalan Associates Ltd to submit the following documentary evidence in support of the payment of the purchase price of the said plot by 24th March, 2000.

   (i) All correspondence between the Council and M/s Chalan Associates Ltd.

   (ii) Transfer documents from M/s Chalan Associates bankers, Standard Chartered Bank Ltd.

   (iii) Details of the payee, Bank Account number, amount and date transferred.

2. The Committee further directed Mr. F.R.N. Jillo, Town Clerk Malindi Municipal Council to confirm whether M/s Chalan Associates Ltd transferred the proceeds from the sale of the said plot to Malindi Municipal Council Bank Account or to Mr. E. D. Karani Personal Bank Account.

3. The Committee further directed the Commissioner of Lands to verify the authenticity of both the letter of allotment dated 20th March, 1990 and the registered Grant Tile No. C.R. 30816 in respect of the Malindi plot and give the Committee a feedback by 24th March, 2000.

MINUTE NO.697/2000 **PAPERS LAID**

The following papers were laid during the deliberations of the Committee.

1. The directors of M/s Trade Combine Ltd by the Registrar of Companies.

2. A copy of the letter from Mr. E. D. Karani, the former Town Clerk of Malindi Council to M/s Chalan Associates Ltd on the sale of Malindi Plot.

MINUTE NO.698/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty Minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. David Kombe, M.P.
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. Sayyid M. Amin, M.P.
Hon. Ali Shabaan, M.P.
Hon. Abubakar Badawy, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. E.H. Gikonyo	-	Deputy Director of Audit
Mr. R.Bichanga	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. S. Kitungu	-	Principal Economist

INSPECTOR OF STATE CORPORATIONS

Mr. C.B. Ochieng - Deputy Inspector of State Corporations

MINUTE NO.699/2000 **EVIDENCE**

The Report and Accounts of Kenya Posts and Telecommunications Corporation for the year 1995/96 and the certificate thereon by the Auditor General (Corporations).

Mr. A. K. Cheserem, Managing Director of Telcom Kenya Ltd., accompanied by Messrs:- A. N. Nzano, General Manager (Finance & Accounts) S. D. Kamau, Manager (Financial Accounting); J. K. Naswan, Manager (Architectural Services); P.M. Mutinda, Company Secretary; K. D. Malakwen, former Corporation Secretary; Paul Ndarua, former Chief Architect/Consultant; and Chege Kirundi, Director, M/s Benja Investments Ltd; appeared before the Committee and gave further evidence on the accounts of Kenya Ports & Telecommunications Corporation for the year 1995/96.

MINUTE NO.700/2000 **ADDITIONAL INFORMATION - PARAGRAPH 4 OF 1995/96 ACCOUNTS - PURCHASE OF TWO PLOTS OF LAND**

The Committee directed Mr. Kirundi Chege to submit documentary evidence in support of the failure by the Corporation to respond to his letters on the land transaction.

MINUTE NO.701/2000 **PAPER LAID**

Mr. Paul G. Ndarua, former Chief Architect/Consultant of the Corporation tabled a copy of the approval letter by the then Managing Director Hon. Kipngeno arap Ng'eny to commission consultants for AFRALTI project.

MINUTE NO.702/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at fifteen minutes past Six O'clock until Friday 17th March, 2000 at 9.00 a.m.

SIGNED: Hon. P. K. Kaindi, M.P.

AG. CHAIRMAN

DATE: 18th July, 2000

MINUTES OF THE NINETY FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON FRIDAY 17TH MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Joseph A. Donde, M.P.
Hon. David Kombe, M.P.
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. Ochilo Ayacko, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Ali Shabaan, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit
Mr. E.H. Gikonyo	-	Deputy Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. Z.E.N. Achira	-	Finance Manager

INSPECTOR OF STATE CORPORATIONS

Mr. C.B. Ochieng	-	Deputy Inspector of State Corporations

MINUTE NO.703/2000 **EVIDENCE**

INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION.

Hon. (Prof.) George Saitoti, Vice President of Kenya

accompanied by Messrs: Hon. Nicholas Biwott, Minister for Tourism, Trade and Industry; John Masila, Director of Industries; K. K. Bett, Executive director, Industrial and Commercial Development Corporation; G. O. Nyagisere, Principal Projects Officer; I. B. Mogaka, Corporation Secretary; Main, Deputy Equity Manager; J. C. Mwaura, Chief Accountant; P. A. Okwiri, Senior Valuer; I. G. Kanyiri, Senior Valuer; John Simba, former Managing Director; Geoffrey Kimaru, former Projects Manager; C. S. Mbindyo, former Permanent Secretary, Treasury; and John Savage, Director, M/s Savage Holdings Ltd; appeared before the Committee and gave evidence on the stalled Soya Oil Bean Food project.

MINUTE NO.704/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until Monday 20th March, 2000 at 9.30 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE NINETY SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON MONDAY 20TH MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. David Kombe, M.P.
Hon. Peter Kaindi, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali Shabaan, M.P.
Hon. Abubakar Badawy, M.P.

ABSENT WITH APOLOGY:

Hon. John Sambu, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. Wambugu	-	Director of Audit
Mr. P. K. Muasya	-	Deputy Director of Audit
Mr. Z. T. Komora	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. S. Kitungu	-	Principal Economist
Mr. R.O. Onyuna	-	Senior Economist

MINUTE NO.705/2000 **EVIDENCE**

The Report and Accounts of Kenya Ports Authority for the year 1996/97 and the certificate thereon by the Auditor General (Corporations).

Mr. Brown M. M. Ondego, Managing Director of Kenya Ports Authority, accompanied by Messrs:- Titus Naikuni, Permanent Secretary, Ministry of Information, Transport and Communications; Eng.

Philip Okundi, former Managing Director of Kenya Ports Authority; S. K. Mwaita, Commissioner of Lands; J. M. Mulewa, Financial Controller; Mr. G. Dulu, Corporate Secretary; N. O. Were Ag. Head of Internal Audit; J. O. Lukiri, Ag. Financial Accountant; Eng. A. M. Samatar, Ag. Chief Civil Engineer; Hon. Simeon M. Mkalla, M.P., former Managing Director; Mr. A. C. Mumba, former Managing Director; Robert Brennisen, former Managing Diarector ;L. J. Mwangola, former Managing Director;Mohammed Jaffer, Executive Chairman, Grain Bulk Handlers Limited;Ishan Kapila, Advocate, G. Bith; Atia Anjarwalla, Advocate, G Bith; and O. E. Njiru, Ex-Chief Civil Engineer, Kenya Ports Authority; appeared before the Committee and gave evidence on the accounts of the Authority for the year 1996/97.

MINUTE NO.706/2000 **ADDITIONAL INFORMATION - BULK GRAIN HANDLERS LIMITED**

The Committee directed the Permanent Secretary Ministry of Information, Transport and Communications to provide a list of parcels of land that have been leased to private firms by Kenya Ports Authority and period of each lease.

MINUTE NO.707/2000 **1995/96 ACCOUNTS - PARAGRAPH 6.0 PURCHASE OF TWO COMMUTER BUSES**

The Management of Kenya Ports Authority to give the name of the official who paid for the purchase of the two commuter buses.

MINUTE NO.708/2000 **ADDITIONAL INFORMATION - PARAGRAPH 2.0 INLAND CONTAINER DEPOT - ELDORET**

The Committee gave the Permanent Secretary, Ministry of Information, Transport and Communications, a go ahead to determine the most cost effective alternative of operating the Inland Container Depot - Eldoret and report back to the Committee in due course.

MINUTE NO.709/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at forty-five Minutes past Twelve O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. David Kombe, M.P.
Hon. Peter Kaindi, M.P.
Hon. Abubakar Badawy, M.P.

ABSENT WITH APOLOGY:

Hon. Sayyid M. Amin, M.P.
Hon. Ali Shabaan, M.P.
Hon. G.M. Parpai, M.P.
Hon. John Sambu, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Abubakar Badawy, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. P.K. Muasya	-	Deputy Director of Audit
Mr. Z.T. Komora	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R. O. Onyune	-	Senior Economist

MINUTE NO.710/2000 **EVIDENCE**

The Report and Accounts of Kenya Ports Authority for the year 1996/97 and the certificate thereon by the Auditor General (Corporations).

Mr. Brown M. M. Ondego Managing Director of Kenya Ports Authority, accompanied by Messrs:- Titus Naikuni, Permanent Secretary, Ministry of Information, Transport and Communications; Eng. Philip Okundi, former Managing Director of Kenya Ports Authority; J. M. Mulewa, Financial Controller; G. Dulu, Corporate Secretary; Mr. N. O. Were Ag. Head of Internal Audit; J. O. Lukiri, Ag. Financial Accountant; Eng. A. M. Samatar, Ag. Chief Civil Engineer; and A. C. Mumba, Ex Chief Executive; appeared before the Committee and gave evidence on paragraphs 4 to 10 of the accounts of the Authority for the year 1996/97.

MINUTE NO.711/2000 **ADDITIONAL INFORMATION - PARAGRAPH 6.0 - KIZINGO GUEST HOUSE**

The Committee directed the Chief Executive to provide the following information:-

(i) The Directors of Trade World Kenya Ltd which bought the Kizingo House.

(ii) A letter appointing valuers; valuation results and correspondence on the matter.

(iii) A copy of lease Agreement between Kenya Ports Authority and Estate management Agent, Datoo Limited.

(iv) A copy of Sale Agreement between Kenya Ports Authority and the Trade World Kenya Ltd.

MINUTE NO.712/2000 **ADDITIONAL INFORMATION - PARAGRAPH 7.0 - DEBTORS DREDGING KSHS.287,231,401**

The Committee directed the Treasury to write to the Committee on what action it intends to take to clear an amount of Kshs.287,231,401 paid by the Authority to a dredging Company in 1992 on behalf of the parent Ministry.

MINUTE NO.713/2000 — **ADDITIONAL INFORMATION - PARAGRAPH 8.0 - STORES KSHS.1,397,880,323**

The Committee directed the Chief Executive to submit to the Committee, the results of an audit query being undertaken on the stores of the Authority.

MINUTE NO.714/2000 — **INSPECTION VISIT**

The Committee resolved to visit Kizingo Guest House and Container Freight Station at a later date.

MINUTE NO.715/2000 — **ADDITIONAL INFORMATION - PARAGRAPH 9.0 - UNCOLLECTED WHARFAGE CHARGES KSHS.14,093,180**

The Committee directed the Chief Executive to give the details of amount of money paid to M/s Mwanyumba & Co. Advocates in relation to the said wharfage charges.

MINUTE NO.716/2000 — **ADJOURNMENT**

The Chairman adjourned the meeting at Four O'clock until Tuesday 21st March, 2000 at 9.30 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE NINETY THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON TUESDAY 21ST MARCH, 2000 AT 10.00 A.M.

PRESENT:

Hon. Peter Kaindi, M.P. (Ag. Chairman)
Hon. Ochilo Ayacko, M.P.
Hon. David Kombe, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali Shabaan, M.P.
Hon. John Sambu, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Abubakar Badawy, M.P.

ABSENT WITH APOLOGY:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Joseph A. Donde, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. Z. N. Achira - Finance Manager
Mr. F. W. Kingori - Assistant Secretary

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. E.N. Wambugu - Director of Audit
Mr. E.H. Gikonyo - Deputy Director of Audit
Mr. C.A. Amadi - Senior Auditor

MINUTE NO.717/2000

INSPECTION TOUR OF KISERIAN RIVER DAM PROJECT

Members of the Committee arrived at the project site at eleven O'clock and were met by the management team of the National Water Conservation and Pipeline Corporation led by the Managing Director, Dr. D. K. Punyua and accompanied by Messrs: Eng. Ochieng; Mr. Mutua Kilaka, Eng. H. Rotich, Managing Director Kenya National Trading Corporation; Mr. Sammy Mbova, former Permanent Secretary Ministry of Water Development and Mr. Danji of M/s. Karsan

Ramji & Sons Limited.

The Committee was informed that the intake tower and spill way channel of the project had been completed by the time the contract was determined. However, excavations for the dam embarkment was not done.

The Committee was further informed that:-

(i) An amount of Kshs.25 million was spent on construction works and a further Kshs.15 million paid as compensation for land acquired for the project.

(ii) A pending bill of Kshs.18 million, which is still in dispute, arose due to delaying in settlement of payments raised by the contractor.

The Committee was concerned that the project was hurriedly started before the Corporation had confirmed the availability of funds and that lack of planning had resulted in loss of money on a project which is still born.

MINUTE NO.718/2000 **ADJOURNMENT**

The Ag. Chairman adjourned the meeting at half past Twelve O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. David Kombe, M.P.
Hon. G.M. Parpai, M.P.
Hon. Peter Kaindi, M.P.
Hon. Abubakar Badawy, M.P.
Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY:

Hon. Ali Shabaan, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. H.O. Wanyama	-	Assistant Director of Audit
Mr. P.O. Ogola	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R. O. Onyune	-	Senior Economist

INSPECTORATE OF STATE CORPORATION

Mr. C. B. Ochieng	-	Deputy Inspector of State Corporation

MINUTE NO.719/2000

EVIDENCE

NATIONAL HOSPITAL INSURANCE FUND

Mr. Joshua P. K. Matua, Ag. Chief Executive, National Hospital Insurance Fund accompanied by Messrs:- Dr. J. Riria, Chairman, National Hospital Insurance Fund; Prof. Julius Meme, Permanent Secretary, Ministry of Health; Ms. Lucy Rono, Legal Officer; Mr. Mosonik, Computer Systems Analyst; Mr. S. Wambugu, Chief Accountant; Mr. N. K. Kaimoi, Supplies Officer; Mr. P.C.A. Kilel; Mr. K.P.A. Langat; Mr. J. K. Mwinzi, Chief Valuer, Ministry of Lands; and M/s Lilian W. Mwaura of M/s K. Mwaura & Co. Advocates; appeared before the Committee and gave evidence on the assets of the Fund.

MINUTE NO.720/2000

ADDITIONAL INFORMATION

The Committee directed the Chief Government Valuer, to provide results of prior valuations on plots LR. Nos. 209/11140; LR 209/12987.

The Committee further directed the Chief valuer to carryout valuation on the said plots and report back to the Committee by Wednesday 29th March, 2000.

MINUTE NO.721/2000 **EVIDENCE**

The Report and Accounts of Teachers Service Commission for the year 1994/95 and the Certificate thereon by the Auditor General (Corporations).

Teachers Service Commission accompanied by Messrs:- Benjamin Sogomo, Secretary; Ag. Chief Architect; Mr. Muthuuri, Deputy Secretary Teachers Service Commission; P. O. Sika; Cyrus Maina, Provincial Commissioner; Francis K. arap Sang, Director of Criminal Investigations Department; Noah Too, ex-Director of Criminal Investigations Department; Kibera Karanja, Senior Superintendent of Police; Kamawe Nugi, Associated Architects; R. W. Chege, Kanjumba Consultants; G. M. Kanjuma, Kanjuma Consultants; and M. K. Patel, K. G. Patel & sons; appeared before the Committee and gave evidence on the accounts the Commission for the year 1994/95.

MINUTE NO.722/2000 **ADDITIONAL INFORMATION**

The Committee directed the Chief Executive to give an explanation for the difference in rentable space of 86,564.42 Sq. feet and 105,600 sq. ft. which the TSC is currently paying. The Committee further directed the Chief Executive to submit tender documents, consultants tender report and recommendation to the Permanent Secretary Ministry of Roads and Public Works for perusal.

MINUTE NO.723/2000 **PAPER LAID**

The Permanent Secretary Ministry of Roads and Public Works laid a document showing an analysis of space occupation by Teachers Service Commission in Bazaar Plaza.

MINUTE NO.724/2000 **ADDITIONAL INFORMATION - PARAGRAPH 2.2 - UNCLAIMED SALARIES**

The Committee directed Mr. Cyrus Maina to avail

documentary evidence showing the mode in which money meant for teachers salaries were channelled into other projects in Baringo District.

MINUTE NO.725/2000 **ADDITIONAL INFORMATION**

The Committee directed the Secretary, Teachers Service Commission to update the Committee on the status of the Cheque that was allegedly used in repaying K£100,871 by Mr. Cyrus Maina.

MINUTE NO.726/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty five minutes past Seven O'clock until Tuesday 22nd March, 2000 at 9.00 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE NINETY FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON WEDNESDAY 22ND MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter Kaindi, M.P.
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. David Kombe, M.P.
Hon. G.M. Parpai, M.P.
Hon. John Sambu, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Abubakar Badawy, M.P.

ABSENT WITH APOLOGY:

Hon. P.K.M. Sang', M.P.
Hon. Ali Shabaan, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. S. W. Ndindiri	-	Clerk of the National Assembly
Mr. M. R. Sialai	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor General (Corporations)

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C. S. Barasa	-	Deputy Secretary

MINUTE NO.727/2000

MEETING WITH THE PERMANENT SECRETARY/SECRETARY TO THE CABINET AND HEAD OF PUBLIC SERVICE; ATTORNEY GENERAL; PERMANENT SECRETARY, TREASURY; INVESTMENTS SECRETARY; AND AG. DIRECTOR, DIRECTORATE OF PERSONNEL MANAGEMENT

Mr. Richard Leakey, Permanent Secretary/Secretary to the Cabinet and Head of Public Service accompanied by Messrs:- Hon. Amos Wako, Attorney-General; Mr. Martin Luke Oduor-Otieno,

Permanent Secretary, Treasury; Mr. George Mitine, Investments Secretary; and Mr. James Ongwaye, Ag. Director, Directorate of Personnel Management; appeared before the Committee and appraised the Committee on the implementation status of the Public Investments Committee reports that have been adopted by the House.

1. **Office of the Auditor-General (Corporations)**

The Committee was informed that the Office of the Auditor-General (Corporations) is set to be merged with the Office of the Controller and Auditor-General and that a cabinet paper on this merger will soon be presented to the cabinet for consideration and approval. The Committee was further informed that the move to merge the office of the Auditor-General (Corporations) with the Office of the Controller and Auditor-General is meant to strengthen its effectiveness and gives it the necessary constitutional protection.

2. **Irregular procurement and Tendering procedures**

The Committee was informed that the government in recognition of the enormous amounts of public funds lost through irregular tendering, variation of tenders and contract costs, issued two circulars Ref.OP.39/1A and OP.9/1A dated 15th May, 1998 and 11th August, 1998 respectively streamlining procurement and tendering procedures and administration of public resources.

The Committee heard that the government is committed to enforcing the requirements of the above circulars and following the recent appointment of the State Corporations Appeal Tribunal, the process of consolidating cases for individual and collective surcharge action has already been commenced.

3. **Restructuring**

The Committee asked the Permanent Secretary

Ministry of Finance and Planning to submit a paper to the Committee explaining what action the Ministry is taking to restructure Agricultural Finance Corporation.

4. **Consultancy**

The Committee was informed that Corporations were directed vide circular Ref.OP.39/1A of 15th May, 1998 that they must use available expertise in the organisation with regard to the services of consultants and that acquisition of professional services must be done strictly on qualifications.

The Committee was further informed that State Corporations have also been directed that remuneration for technical consultancy services should be pegged to net profits on the contracted activity and that reports of improprieties involving individuals or Boards of Directors will be dealt with in terms of section 19 of the State Corporations Act in addition to other legal actions.

The Committee observed that pending bills arising from suspect consultancy services offered should be re-assessed with a view to isolating genuine from questionable bills.

The Committee asked the Permanent Secretary to the Cabinet and Head of the Public Service to issue a circular to all Heads of parastatals on the hiring of professional services and in particular, the modalities to be followed when settling bills arising thereof.

5. **Dormant/Abandoned/Uncompleted projects**

The Committee was informed that the Government is taking stock of all the dormant, abandoned and uncompleted projects with a view to making an inventory and arising out of it, recommendation to be made to the Cabinet on what projects should be completed, abandoned or sold.

6. **Legal action on mismanagement of funds in State Corporation**

The Attorney-General pledged to take legal action against people recommended in the 8th Report of the Public Investments Committee, and in particular against Mr. O. E. Njiru, paragraph 5.0 of 1995/96 accounts of Kenya Ports Authority and Mr. S. Muindi, paragraph 4.0 of 1994/95 accounts of National Social Security Fund.

MINUTE NO.728/2000 **ADJOURNMENT**

The Ag. Chairman adjourned the meeting at half past Twelve O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.
Hon. David Kombe, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar Badawy, M.P.
Hon. John Sambu, M.P.
Hon. Peter Kaindi, M.P.

ABSENT WITH APOLOGY:

Hon. Ali Shabaan, M.P.
Hon. P.K.M. Sang', M.P.
Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit
Mr. J. K. Mukhooli	-	Deputy Director of Audit
Mr. H. O. Wanyama	-	Assistant Director of Audit

Mr. C. N. Nyanyuki - Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C. S. Barasa - Deputy Secretary
Mr. P.T.O. Kopiyo - Deputy Secretary/ Alternate Director
Ms. E. Koimett - Deputy Co-ordinator, ESTU

INSPECTORATE OF STATE CORPORATION

Mr. Johnson M. Otenyo - Inspector of State Corporation
Mr. C. B. Ochieng - Deputy Inspector of State Corporation

MINUTE NO.729/2000 **EVIDENCE**

CHEMILIL SUGAR COMPANY LIMITED

Mr. Aaron Tuikong, Managing Director, Chemilil Sugar Company accompanied by Mr. P. O. Wayodi, Financial Controller and Ms. J. O. Ndeda, ADC.

MINUTE NO.730/2000 **ADDITIONAL INFORMATION**

The Committee directed ESTU to submit terms of reference of the Privatization Committee in respect of Chemilil Sugar Company.

MINUTE NO.731/2000 **ADDITIONAL INFORMATION**

The Committee directed the Chief Executive to submit a detailed analysis on the item "other expenses" in the notes to the accounts from 1995/96 financial year to the Committee through the Office of the Auditor-General (Corporations).

The Committee further directed the Chief Executive to avail an analysis on the expenditure in respective of Chemilil Complex built by the Company.

MINUTE NO.732/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Five O'clock until Thursday 23rd March, 2000 at 9.00 a.m.

SIGNED: **Hon. P.K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE NINETY FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON THURSDAY 23RD MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. David Kombe, M.P.
Hon. G.M. Parpai, M.P.
Hon. John Sambu, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. Sayyid M. Amin, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Ali Shabaan, M.P.
Hon. Peter Kaindi, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant

MINUTE NO.733/2000 **CONFIRMATION OF MINUTES**

The Minutes of the previous sittings of the Committee were confirmed by the Members present and signed by the Chairman as follows:-

(i) The Seventh Sitting held on Thursday 10th February, 2000 were proposed by Hon. Kombe and seconded by Hon. Parpai.

(ii) The Seventy First Sitting held on Friday 11th February, 2000 were proposed by Hon. Sambu and seconded by Hon. Kombe.

(iii) The Seventy Second Sitting held on Friday 18th February, 2000 were proposed by Hon. Sambu and seconded by Hon. Donde.

(iv) The Seventy Third Sitting held on Monday 21st February, 2000 were proposed by Hon. Badawy and seconded by Hon. Sang'.

(v) The Seventy Fourth Sitting held on Tuesday 22nd February, 2000 were proposed by Hon. Kombe and seconded by Hon. Sambu.

(vi) The Seventy Fifth Sitting held on Wednesday 23rd February, 2000 were proposed by Hon. Sambu and seconded by Hon. Ayacko.

(vii) The Seventy Sixth Sitting held on Thursday 24th February, 2000 were proposed by Hon. Sang and seconded by Hon. Badawy.

(viii) The Seventy Seventh sitting held on Friday 25th February, 2000 were proposed by Hon. Sambu and seconded by Hon. Badawy.

(ix) The Seventy Eighth Sitting held on Tuesday 29th February, 2000 were proposed by Hon. Sambu and seconded by Hon. Ayacko.

MINUTE NO.734/2000 **MATTERS ARISING**

1. **Under Minute Nos. 565/2000 and 577/2000,** the Committee directed that the Commissioner of Lands should be reminded to submit the required information as per the said minutes.

2. **Under Minute No.575/2000,** the Committee directed that the Permanent Secretary, Secretary to the Cabinet and Head of the Public Service should be informed of the Committee's decision and to be asked to respond in writing.

3. **Under Minute No.608/2000,** the Committee directed that the Chairman of Nyayo Tea Zones Development Corporation should submit a write-up explaining circumstance under which the Authority authorised the Managing Director to incur expenditure on the legal matter that is apparently personal.

MINUTE NO.735/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Eleven O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. David Kombe, M.P.
Hon. G.M. Parpai, M.P.
Hon. Abubakar Badawy, M.P.
Hon. John Sambu, M.P.
Hon. Peter Kaindi, M.P.
Hon. Ali Shabaan, M.P.
Hon. P.K.M. Sang', M.P.

ABSENT WITH APOLOGY:

Hon. Abubakar Badawy, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Joseph A. Donde, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mr. T. O. Ongalo	-	Hansard Reporter

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit
Mr. G.O. Osaho	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Deputy Programme/Manager
Mr. T.K. Khakame	-	Chief Accountant
Mr. R.O. Onyuna	-	Senior Economist

INSPECTORATE OF STATE CORPORATION

Mr. C.B. Ochieng	-	Deputy Inspector of State Corporation

MINUTE NO.736/2000 **EVIDENCE**

The Report and Accounts of Kenya Airports

Authority for the year 1994/95 and the certificate thereon by the Auditor-General (Corporations).

Mr. M. S. Muriithi, Managing Director, Kenya Airports Authority accompanied by Messrs: J. Ongera, Deputy Managing Director; M. Mukwana, General (Finance); S. M. Gichuki, General Manager, Human Resources; S. K. Nyamu, Head of Department (M&D, D); Yatich Kangugo, Deputy Airport Manager; Karanja Kenneth, Personal Assistant to the Managing Director, L. M. Chapeaux; Mr. De Boeck, Resident Engineer; and John Chapeaux of M/s L. M. Chapeaux; appeared before the Committee in Kenya Airports Authority Conference Room and gave evidence on the 1994/95 accounts of the Authority.

MINUTE NO.737/2000 **ADDITIONAL INFORMATION**

The Committee directed the Chief Executive to submit the following information:-

(i) Specifications of the equipments to be supplied by M/s L. M. Chapeaux and the costing of the said equipments.

(ii) The names of the Belgium banks which merged with Cera Investment Bank of Belgium to become KBC bank of Belgium.

(iii) The prevailing dollar and Euro exchange rates when the said contract was awarded.

MINUTE NO.738/2000 **ADDITIONAL INFORMATION**

The Committee directed Mr. John Chapeaux, Managing Director of M/s L. M. Chapeaux, to submit the initial correspondence with the Authority in relation to the proposed rehabilitation of the Airport.

MINUTE NO.739/2000 **INSPECTION TOUR OF REHABILITATION AND EXPANSION PROJECT AT JOMO KENYATTA INTERNATIONAL AIRPORT**

The Committee was met at the site by the management and the contractor led by Mr. Muriithi, the Managing Director of Kenya Airports Authority.

The Committee was shown areas to be rehabilitated at the Airport which include escalators, boarding bridges and the roofs.

MINUTE NO.740/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty-five minutes past Five O'clock until Friday 24th March, 2000 at 9.00 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th May, 2000**

MINUTES OF THE NINETY SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON FRIDAY 24TH MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Joseph A. Donde, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. G.M. Parpai, M.P.
Hon. John Sambu, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Peter Kaindi, M.P.

ABSENT WITH APOLOGY:

Hon. Abubakar Badawy, M.P.
Hon. Ali Shabaan, M.P.
Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit
Mr. R.N. Bichangu	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. F. W. Kingori	-	Assistant Secretary

INSPECTOR OF STATE CORPORATION

Mr. C.B. Ochieng	-	Deputy Inspector of State Corporations

MINUTE NO.741/2000 **EVIDENCE**

The Report and Accounts of Kenya Posts and Telecommunications Corporation for the year 1995/96 and the certificate thereon by the Auditor-General (Corporations)

Mr. Augustine K. Cheserem, Managing Director of Telkom Kenya Ltd accompanied by Messrs:- A. N. Nzano, General Manager (Finance & Accounts); P. K. Mutinda, Company Secretary; S. D. Kamau, Manager Finance; J. K. Naswan, Manager, Architectural Services; Hon. K. arap Ngeny; former Managing Director Kenya Posts and Telecommunications Corporation; K. D. Malakwen, former Corporation Secretary; Muli Mbusi, Chief Finance Officer, Office of the President; Onyango Namenya, Under Secretary; Arina, Under Secretary; General Service Unit Headquaters; and Jared Kangwana; appeared before the Committee and gave evidence on the accounts of Kenya Posts and Telecommunications Corporation for the year 1995/96.

MINUTE NO.742/2000 **ADDITIONAL INFORMATION - PARAGRAPH 3 - SALE OF DRIVE-IN ESTATE LR.7879/4 - OURTERING/THIKA ROAD**

The Committee directed as follows:-

(i) Hon. Kipngeno Ngeny to give the names of officials of the former Kenya Posts and Telecommunications Company who dealt with the buying of 196 maisonettes from M/s African Export/Import Ltd and M/s Huelands Limited.

(ii) Mr. Jared Kangwana, to submit copies of specific instructions from Kenya Posts and Telecommunications with regard to the said transaction and to confirm whether or not the parcel of land had any encumbrances when the sale agreements were being drawn.

(iii) The Corporation to urgently call a meeting with the official receiver and look for a way forward on the said transaction and report back to the Committee by 31st March, 2000.

MINUTE NO.743/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Twelve O'clock until Monday 27th March, 2000 at 9.00 a.m.

SIGNED: Hon. P. K. Kaindi, M.P.

AG. CHAIRMAN

DATE: 18th May, 2000

MINUTES OF THE NINETY SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON MONDAY 27TH MARCH, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Joseph A. Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. Peter Kaindi, M.P.

ABSENT WITH APOLOGY:

Hon. John Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Ali Shabaan, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. David Kombe, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. Maluki - Auditor General (Corporations)
Mr. E. N. Wambugu Director of Audit
Mr. E. Gikonyo - Deputy Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna - Senior Economist

INSPECTOR OF STATE CORPORATION

Mr. C.B. Ochieng - Deputy Inspector of State Corporations

MINUTE NO.744/2000

EVIDENCE

KENYA REINSURANCE CORPORATION

Mr. Peter Kenneth, Managing Director, Kenya Reinsurance Corporation accompanied by Messrs:- M. A. Otega, Corporation Secretary; and J. J. Githaka, Property and Corporate Affairs Manager; appeared

before the Committee and gave evidence on the privatization progress, construction of the headquarters and assets portfolio of the Corporation.

MINUTE NO.745/2000 **ADDITIONAL INFORMATION**

The Committee directed the Chief Executive to submit the following information:-

(i) Copy of contracts agreement, Bills of Quantities and consultant fees in respect of Office Block at Upper Hill.

(ii) Copies of the title deeds for the following properties.

- Upper Hill 209/12146
- Upper Hill 209/12922
- Upper Hill 209/12923
- Upper Hill 209/11976

(iii) A write-up on the privatization progress of the Corporation.

(iv) Valuation reports on the assets of the Corporation.

MINUTE NO.746/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Twelve O'clock until Monday 3rd April, 2000 at 2.30 p.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE NINETY EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT MOMBASA CONTINENTAL RESORT HOTEL CONFERENCE ROOM ON FRIDAY 28TH APRIL, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Joseph Donde, M.P.
Hon. John Sambu, M.P.
Hon. David Kombe, M.P.
Hon. Paul K.M. Sang, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai - Clerk Assistant
Mrs. F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. T. Khakame - Chief Accountant

MINUTE NO. 747/2000

RECOMMENDATIONS

The Committee considered and approved the final draft recommendations as follows:-

National Cereals & Produce Board 1995/96 Accounts

Paragraphs

1.1 - Donor Funded Project
1.2 - Assets without proper documents
2.1 - Government debtors
2.2 - Staff debtors
2.3 - Sundry debtors
2.4 - Other debtors

MINUTE NO.748/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Joseph Donde, M.P.
Hon. John Sambu, M.P.
Hon. David Kombe, M.P.
Hon. Paul K.M. Sang, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist
Mr. T. Khakame	-	Chief Accountant

MINUTE NO.749/2000 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) National Cereals & Produce Board 1995/96 Accounts.

Paragraphs

3.0 - Operating stocks

4.0 - Sale of subsidiary
5.0 - Trade Creditors & Provisions
6.0 - Insurance expense and unsettled insurance claims

(ii) Rural Electrification Schemes 1990/91 - 1992/93 accounts.

(iii) Kenya Dairy Board - 1993/94 Accounts

Paragraphs

1.0 - Constitution of Board of Directors
2.0 - Financial position
3.0 - Suspense Accounts
4.0 - Accumulated Fund
5.0 - Debtors and Prepayments
6.0 - Land and Buildings

MINUTE NO.750/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Eight O'clock until Saturday 29th April, 2000 at 8.30 p.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE NINETY NINE SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT MOMBASA CONTINENTAL RESORT HOTEL CONFERENCE ROOM ON SATURDAY 29TH APRIL, 2000 AT 8.30 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Joseph Donde, M.P.
Hon. John Sambu, M.P.
Hon. David Kombe, M.P.
Hon. Paul K.M. Sang, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai - Clerk Assistant
Mrs. F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit

DEPXRTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna - Senior Economist
Mr. T. Khakame - Chief Accountant

MINUTE NO. 751/2000 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) Kenya Dairy Board - 1994/95 Accounts

(ii) Coffee Board of Kenya - 1993/94 Accounts

(iii) Kenya Agricultural Research Institute - 1996/97 Accounts

(iv) Kenya Wildlife Service - 1995/96-1996/97 Accounts

(v) National Social Security Fund - 1995/96 Accounts (Paragraph 1.0 - Unvouched Adjustment)

MINUTE NO.752/2000 **ADJOURNMENT**

The Chairman adjourned the meting at One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Joseph Donde, M.P.
Hon. John Sambu, M.P.
Hon. David Kombe, M.P.
Hon. Paul K.M. Sang, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ali I. Shabaan, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist
Mr. T. Khakame	-	Chief Accountant

MINUTE NO.753/2000 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) National Social Security Fund - 1995/96 Accounts.

Paragraphs

2.0 - Expenditure for the year
3.0 - Provision for doubtful legal debtors
4.0 - Management of cash
5.0 - Fixed Assets Register
6.0 - Investments
7.0 - Term deposits
8.0 - Rental Income
9.0 - Social Security House - Annex

(ii) Lake Basin Development Authority - 1994/95 Accounts

MINUTE NO.754/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at 8.00 p.m. until Sunday 30th April, 2000 at 9.00 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE HUNDREDTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT MOMBASA CONTINENTAL RESORT HOTEL CONFERENCE ROOM ON SUNDAY 30TH APRIL, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Joseph Donde, M.P.
Hon. Ali I. Shabaan, M.P.
Hon. John Sambu, M.P.
Hon. Paul K.M. Sang, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai - Clerk Assistant
Mrs. F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit

MINUTE NO. 755/2000

RECOMMENDATIONS

The Committee considered and approved the final draft recommendations as follows:-

(i) Nyayo Tea Zones Development Authority - 1993/94 Accounts.

Paragraphs

1.0 - Establishment cost
2.0 - Unsupported expenditure
3.0 - Purchase advances
4.0 - Cash and Bank Balances

(ii) Kenya Medical Research Institute - 1996/97 Accounts

Paragraphs

1.0 - Fixed Assets
2.0 - Staff Housing Project
3.0 - Abandoned project

MINUTE NO.756/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until Monday 1st May, 2000 at 8.30 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE HUNDRED AND FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT MOMBASA CONTINENTAL RESORT CONFERENCE ROOM ON MONDAY 1ST MAY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Joseph Donde, M.P.
Hon. John Sambu, M.P.
Hon. Paul K.M. Sang, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. A.I. Shabaan, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai - Clerk Assistant
Mrs. F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna - Senior Economist
Mr. T. Khakame - Chief Accountant

MINUTE NO. 757/2000 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) National Housing Corporation

(i) 1995/96 Accounts
(ii) 1996/97 Accounts

Paragraphs

1.0 - Financial position
2.0 - Motor vehicles No.KAE 965T and

KAD 954R

3.0 - Use of Credit card
4.0 - Loan arrears due

(ii) Kenya Posts and Telecommunications Corporation - 1995/96.

Paragraphs

1.0 - Financial position
2.0 - Inaccuracies in the account
3.0 - Sale of Drive-in-Estate
4.0 - Purchase of two plots of land at Karen

MINUTE NO.758/2000 **DEFERRED RECOMMENDATIONS**

National Housing Corporation - 1996/97 Accounts

Paragraphs

5 - Contracts
6 - Managing Director's salary

MINUTE NO.759/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at thirty minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Joseph Donde, M.P.
Hon. John Sambu, M.P.
Hon. Paul K.M. Sang, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. A.I. Shabaan, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant
Mrs. F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna - Senior Economist
Mr. T. Khakame - Chief Accountant

MINUTE NO. 760/2000 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) Kenya Posts & Telecommunications Corporation 1995/96 Accounts

Paragraphs

5.0 - Pension Funds investments
6.0 - Short term deposits
7.0 - Cash and Bank Balances
- Unsurveyed Plot in Malindi

(ii) National Oil Corporation 1995/96 - 1996/97

(iii) Agricultural Finance Corporation 1996/97 Accounts - Paragraphs (1 - 7)

MINUTE NO.761/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Seven O'clock until Tuesday 2nd May, 2000 at 9.00 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE HUNDRED AND SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT MOMBASA CONTINENTAL RESORT HOTEL CONFERENCE ROOM ON TUESDAY 2ND MAY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Joseph Donde, M.P.
Hon. John Sambu, M.P.
Hon. Paul K.M. Sang, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.

ABSENT WITH APOLOGY:

Hon. A.I. Shabaan, M.P.
Hon. David Kombe, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E. N. Wambugu	-	Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist
Mr. T. Khakame	-	Chief Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. E. M. Ngigi	-	Senior Economist

MINUTE NO. 762/2000 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) Agricultural Finance Corporation - 1996/97 Accounts - Paragraph 8.0 - short term deposit

(ii) AFC - Agency Seasonal Crop Credit 1995/96 - 1996/97 Accounts

(iii) South Nyanza Sugar Company - 1995/96 Accounts

(iv) Mwea Rice Mills Ltd - 1994/95 Accounts

(v) National Irrigation Board - 1994/95 Accounts

(vi) Kenya Airports Authority - 1994/95 Accounts

(vii) Export Processing Zones Authority - 1993/94 Accounts

MINUTE NO.763/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Joseph Donde, M.P.
Hon. John Sambu, M.P.
Hon. Paul K.M. Sang, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. A.I. Shabaan, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant
Mrs. F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna - Senior Economist
Mr. T. Khakame - Chief Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. E. M. Ngigi - Senior Economist

MINUTE NO. 764/2000 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) Export Processing Zones Authority - 1994/95 - 1995/96 Accounts

(ii) Muhoroni Sugar Company - 1993/94 Accounts

(iii) Kenya Pipeline Company - 1996/97 Accounts

(iv) Kenya Industrial Estates - 1996/97 Accounts

(v) National Water Conservation & Pipeline Corporation - 1996/97 Accounts

(vi) Kenya Forestry Research Institute - 1994/95 - 1996/97.

MINUTE NO.765/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Seven O'clock until Wednesday 3rd May, 2000 at 9.00 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE HUNDRED AND THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT MOMBASA CONTINENTAL RESORT HOTEL CONFERENCE ROOM ON WEDNESDAY 3RD MAY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Joseph Donde, M.P.
Hon. John Sambu, M.P.
Hon. Paul K.M. Sang, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. A.I. Shabaan, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist
Mr. T. Khakame	-	Chief Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. E. M. Ngigi	-	Senior Economist

MINUTE NO. 766/2000 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) Kerio Valley Development Authority - 1994/95 - 1995/96 accounts

(ii) Kenyatta National Hospital - 1995/96 - 1996/97 accounts

MINUTE NO.767/2000 **DEFERRED RECOMMENDATIONS**

Kerio Valley Development Authority - 1995/96 Accounts - Paragraph 2 - (Short Term Investments)

MINUTE NO.768/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at fifteen minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Joseph Donde, M.P.
Hon. John Sambu, M.P.
Hon. Paul K.M. Sang, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai - Clerk Assistant
Mrs. F. Abonyo - Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu - Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna - Senior Economist
Mr. T. Khakame - Chief Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. E. M. Ngigi - Senior Economist

MINUTE NO.769/2000 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

Industrial and Commercial Development Corporation (ICDC) - 1995/96 Accounts

MINUTE NO.770/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at forty five minutes past Five O'clock until Thursday 4th May, 2000 at 9.00 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE HUNDRED AND FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT MOMBASA CONTINENTAL RESORT HOTEL CONFERENCE ROOM ON THURSDAY 4TH MAY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Joseph Donde, M.P.
Hon. John Sambu, M.P.
Hon. Paul K.M. Sang, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. A.I. Shabaan, M.P.
Hon. Ochilo Ayacko, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist
Mr. T. Khakame	-	Chief Accountant

MINUTE NO.771/2000 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) Industrial and Commercial Development Corporation - 1996/97 Accounts

(ii) Teachers Service Commission - 1994/95 Accounts

MINUTE NO.772/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Joseph Donde, M.P.
Hon. John Sambu, M.P.
Hon. Paul K.M. Sang, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. A.I. Shabaan, M.P.
Hon. Ochilo Ayacko, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist
Mr. T. Khakame	-	Chief Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. E. M. Ngigi	-	Senior Economist

RECOMMENDATIONS

MINUTE NO.773/2000 The Committee considered and approved the final draft recommendations as follows:-

MINUTE NO.774/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Six O'clock until Friday 5th May, 2000 at 9.00 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE HUNDRED AND FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT MOMBASA CONTINENTAL RESORT HOTEL CONFERENCE ROOM ON FRIDAY 5TH MAY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Joseph Donde, M.P.
Hon. Paul K.M. Sang, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. G.M. Parpai, M.P.

ABSENT WITH APOLOGY:

Hon. J. Sambu, M.P.
Hon. A.I. Shabaan, M.P.
Hon. Ochilo Ayacko, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist
Mr. T. Khakame	-	Chief Accountant

MINUTE NO.775/2000 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) Kenya National Trading Corporation - 1994/95 Accounts

(ii) Catering Levy Trustees - 1995/96 Accounts

(iii) Higher Education Loans Fund - 1992/93 - 1993/94 Accounts

(iv) Kenya Broadcasting Corporation - 1994/95 - 1996/97 Accounts

MINUTE NO.776/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Joseph Donde, M.P.
Hon. John Sambu, M.P.
Hon. Paul K.M. Sang, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. David Kombe, M.P.

ABSENT WITH APOLOGY:

Hon. J. Sambu, M.P.
Hon. A.I. Shabaan, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist
Mr. T. Khakame	-	Chief Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. E. M. Ngigi	-	Senior Economist

MINUTE NO.777/2000 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) Kenyatta University Students Accommodation Board (USAB) - 1988/89 Accounts

(ii) Kenyatta University - 1990/91 Accounts

(iii) Kenya Tea Development Authority - 1994 Accounts

MINUTE NO.778/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Six O'clock until Saturday 6th May, 2000.

SIGNED: **Hon. P. K. Kaindi, M.P.**

CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE HUNDRED AND SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT MOMBASA CONTINENTAL RESORT HOTEL CONFERENCE ROOM ON SATURDAY 6TH MAY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Abubakar Badawy, M.P.
Hon. David Kombe, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. A.I. Shabaan, M.P.

ABSENT WITH APOLOGY:

Hon. J. Sambu, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Joseph Donde, M.P.
Hon. P.K.M. Sang', M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist
Mr. T. Khakame	-	Chief Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. E. M. Ngigi	-	Senior Economist

MINUTE NO.779/2000 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) Kenya Medical Training college

(ii) National Housing Corporation (Sabaki Housing Project)

(iii) Kenya Power & Lighting Company and Ken Gen.

(iv) Kenya Seed Company Ltd

(v) Chemelil Sugar Company

MINUTE NO.780/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at One O'clock until Monday 8th May, 2000 at 9.00 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE HUNDRED AND SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT MOMBASA CONTINENTAL RESORT HOTEL CONFERENCE ROOM ON SUNDAY 7TH MAY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. Peter K. Kaindi, M.P.
Hon. Abubakar Badawy, M.P.
Hon. David Kombe, M.P.
Hon. A.I. Shabaan, M.P.

ABSENT WITH APOLOGY:

Hon. J. Sambu, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Joseph Donde, M.P.
Hon. Sayyid M. Amin, M.P.
Hon. P.K.M. Sang, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. M. R. Sialai	-	Clerk Assistant
Mrs. F. Abonyo	-	Clerk Assistant

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. R.O. Onyuna	-	Senior Economist
Mr. T. Khakame	-	Chief Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. E. M. Ngigi	-	Senior Economist

MINUTE NO.781/2000

RECOMMENDATIONS

The Committee considered and approved the final draft recommendations as follows:-

(i) Kenya Reinsurance Corporation (Privatisation)

(ii) Mumias Sugar Company
(Technical Management)

(iii) Nzoia Sugar Company
(Technical Management)

(iv) Teachers Service Commission
(Office Partitioning)

(v) National Hospital Insurance Fund

(vi) Preface

MINUTE NO.782/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Fifteen Minutes past Two O'clock until a later date.

SIGNED: **Hon. P. K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE HUNDRED AND EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7 PARLIAMENT BUILDINGS ON FRIDAY 8TH JULY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. J. Sambu, M.P.
Hon. Peter K. Kaindi, M.P.
Hon. Abubakar Badawy, M.P.
Hon. Joseph Donde, M.P.
Hon. G.M. Parpai, M.P.
Hon. Ochilo Ayacko, M.P.

ABSENT WITH APOLOGY:

Hon. Sayyid M. Amin, M.P.
Hon. P.K.M. Sang, M.P.
Hon. David Kombe, M.P.
Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant
Mrs. F. Abonyo - Clerk Assistant

MINUTE NO.783/2000 **PROOF READING OF THE REPORT**

The Committee resolved that the Chairman and Hon. A. Badawy should proof read its Ninth Report and report back on Friday 14th July, 2000.

MINUTE NO.784/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Twelve O'clock until Friday 14th July, 2000 at 9.00 a.m.

SIGNED: **Hon. P. K. Kaindi, M.P.**
_____
AG. CHAIRMAN

DATE: **18th July, 2000**
_____

MINUTES OF THE HUNDRED AND NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7 (PARLIAMENT BUILDINGS ON 14TH JULY, 2000 AT 9.00 A.M.

PRESENT:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. J. Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. P.K.M. Sang, M.P.
Hon. David Kombe, M.P.
Hon. A.I. Shabaan, M.P.
Hon. Ochilo Ayacko, M.P.
Hon. Sayyid A. Amin, M.P.

ABSENT WITH APOLOGY:

Hon. Peter K. Kaindi, M.P.
Hon. Joseph Donde, M.P.
Hon. G.M. Parpai, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant
Mrs. F. Abonyo - Clerk Assistant

MINUTE NO.785/2000 **PROOF READING OF THE REPORT**

The Committee approved the final draft of its Ninth Report.

MINUTE NO.786/2000 **COMPLAINT TO PRIVILEGES COMMITTEE**

The Committee resolved to write to the Speaker to convene a meeting of the Privileges Committee with a view to meeting Members of the Public Investments Committee regarding threats from witnesses adversely mentioned in Public Investments Committee Reports.

MINUTE NO.787/2000 **ADJOURNMENT**

The Chairman adjourned the meeting at Twelve O'clock until Tuesday 18th July, 2000 at 9.00 a.m.

SIGNED: **Hon. P.K. Kaindi, M.P.**
AG. CHAIRMAN

DATE: **18th July, 2000**

MINUTES OF THE HUNDRED AND TENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.9 (PARLIAMENT BUILDINGS) ON TUESDAY 18TH JULY, 2000 AT 10.00 A.M.

PRESENT:

Hon. Peter K. Kaindi, M.P. **(Ag. Chairman)**
Hon. J. Sambu, M.P.
Hon. Abubakar Badawy, M.P.
Hon. David Kombe, M.P.
Hon. A.I. Shabaan, M.P.
Hon. Sayyid A. Amin, M.P.
Hon. Joseph Donde, M.P.

ABSENT WITH APOLOGY:

Hon. Mwangi Githiomi, M.P. **(Chairman)**
Hon. G.M. Parpai, M.P.
Hon. P.K.M. Sang, M.P.
Hon. Ochilo Ayacko, M.P.

IN ATTENDANCE: **NATIONAL ASSEMBLY**

Mr. M. R. Sialai - Clerk Assistant

MINUTE NO.788/2000 **CONFIRMATION OF THE MINUTES**

The Minutes of the previous sittings of the Committee were confirmed and signed by the Ag. Chairman Hon. Kaindi as follows:-

(i) The Seventy Ninth sitting held on Wednesday 1st March, 2000 were proposed by Hon. Donde and seconded by Hon. Sambu.

(ii) The Eightieth sitting held on Thursday 2nd March, 2000 were proposed by Hon. Sambu and seconded by Hon. Donde.

(iii) The Eighty First sitting held on Friday 3rd March, 2000 were proposed by Hon. Kombe and seconded by Hon. Donde.

(iv) The Eighty Second sitting held on Monday 6th March, 2000 were proposed by Hon. Shabaan and seconded by Hon. Badawy.

(v) The Eighty Third sitting held on Tuesday 7th March, 2000 were proposed by Hon. Donde and seconded by Hon. Kombe.

(vi) The Eighty Fourth sitting held on Wednesday 8th March, 2000 were proposed by Hon. Kombe and seconded by Hon. Sambu.

(vii) The Eighty Fifth sitting held on Thursday 9th March, 2000 were proposed by Hon. Donde and seconded by Hon. Sambu.

(viii) The Eighty Sixth sitting held on Friday 10th March, 2000 were proposed by Hon. Sambu and seconded by Hon. Donde.

(ix) The Eighty Seventh sitting held on Monday 13th March, 2000 were proposed by Hon. Donde and seconded by Hon. Kombe.

(x) The Eighty Eighth sitting held on Tuesday 14th March, 2000 were proposed by Hon. Donde and seconded by Hon. Badawy.

(xi) The Eighty Ninth sitting held on Wednesday 15th March, 2000 were proposed by Hon. Sambu and seconded by Hon. Shabaan.

(xii) The Ninetieth sitting held on Thursday 16th March, 2000 were proposed by Hon. Donde and seconded by Hon. Kombe.

(xiii) The Ninety First sitting held on Friday 17th March, 2000 were proposed by Hon. Badawy and seconded by Hon. Sambu.

(xiv) The Ninety Second sitting held on Monday 20th March, 2000 were proposed by Hon. Shabaan and seconded by Hon. Kombe.

(xv) The Ninety Third sitting held on Tuesday 21st March, 2000 were proposed by Hon. Kombe and seconded by Hon. Sambu.

(xvi) The Ninety Fourth sitting held on Wednesday 22nd March, 2000 were proposed by Hon. Donde and seconded by Hon. Badawy.

(xvii) The Ninety Fifth Sitting held on Thursday 23rd March, 2000 were proposed by Hon. Kombe and seconded by Hon. Sambu.

(xviii) The Ninety Sixth sitting held on Friday 24th March, 2000 were proposed by Hon. Donde and seconded by Hon. Sambu.

(xix) The Ninety Seventh sitting held on Monday 27th March, 2000 were proposed by Hon. Donde and seconded by Hon. Amin.

(xx) The Ninety Eighth Sitting held on Friday 28th April, 2000 were proposed by Hon. Kombe and seconded by Hon. Donde.

(xxi) The Ninety Ninth sitting held on Saturday 29th April, 2000 were proposed by Hon. Sambu and seconded by Hon. Badawy.

(xxii) The Hundredth sitting held on Sunday 30th April, 2000 were proposed by Hon. Kombe and seconded by Hon. Donde.

(xxiii) The Hundred and First sitting held on Monday 1st May, 2000 were proposed by Hon. Sambu and seconded by Hon. Badawy.

(xxiv) The Hundred and Second sitting held on Tuesday 2nd May, 2000 were proposed by Hon. Donde and seconded by Hon. Badawy.

(xxv) The Hundred and Third sitting held on Wednesday 3rd May, 2000 were proposed by Hon. Kombe and seconded by Hon. Badawy.

(xxvi) The Hundred and Fourth sitting held on Thursday 4th May, 2000 were proposed by Hon. Sambu and seconded by Hon. Donde.

(xxvii) The Hundred and Fifth sitting held on Friday 5th May, 2000 were proposed by Hon. Badawy and seconded by Hon. Kombe.

(xxviii) The Hundred and Sixth sitting held on Saturday 6th May, 2000 were proposed by Hon. Kombe and seconded by Hon. Badawy.

(xxix) The Hundred and Seventh sitting held on Sunday 7th May, 2000 were proposed by Hon. Shabaan and seconded by Hon. Badawy.

(xxx) The Hundred and Eighth sitting held on Friday 8th July, 2000 were proposed by Hon. Donde and seconded by Hon. Sambu.

(xxxi) The Hundred and Ninth sitting held on Friday 14th July, 2000 were proposed by Hon. Amin and seconded by Hon. Kombe.

MINUTE NO.789/2000 **COMPLAINT TO PRIVILEGES COMMITTEE**

The Committee approved a draft letter to the Speaker asking him to convene a meeting of the Privileges Committee to look into complaints raised by the PIC arising from allegations made by Mr. Mutula Kilonzo of M/s Kilonzo & Company Advocates.

MINUTE NO.790/2000 **ADJOURNMENT**

The Ag. Chairman (Hon. Kaindi) adjourned the meeting at fifteen minutes past Twelve O'clock **sine die.**

SIGNED: **Hon. P.K. Kaindi, M.P.**

AG. CHAIRMAN

DATE: **18th July, 2000**

ANNEX B (1)

CLEAN ACCOUNTS

1. Kenya Wine Agency Limited, 1988/89 - 1992/93 accounts
2. Kenya Sugar Authority 1993/94 - 1995/96 accounts
3. Sugar Development Fund 1993/94 - 1995/96 accounts
4. Coffee Research Foundation 1994/95 accounts
5. Ewaso Ngiro North Development Authority 1995/96 accounts
6. Export Processing Zones Authority 1992/94 accounts

ANNEX - B2

LIST OF STATE CORPORATIONS EXEMPTED FROM THE STATE CORPORATIONS ACT (CAP.446)

	Name	Remarks
1.	Kenya Commercial Bank Limited	Legal Notice No.59 of 25/2/87
2.	Kenya Commercial Finance Corporation Limited	Legal Notice No.59 of 25/2/87
3.	Savings and Loans (K) Limited	Legal Notice No.59 of 25/2/87
4.	National Bank of Kenya Limited	Legal Notice No.59 of 25/2/87
5.	Kenya National Capital Corporation (KENYAC)	Legal Notice No.59 of 25/2/87
6.	Kenya National Assurance Company Limited	Legal Notice No.59 of 25/2/87
7.	Town Properties	Legal Notice No.59 of 25/2/87
8.	Kenya Re-Insurance Corporation	Legal Notice No.59 of 25/2/87
9.	Kenya Re-Properties Limited	Legal Notice No.59 of 25/2/87
10.	WEDCO Limited	Legal Notice No.59 of 25/2/87
11.	Kenya Post Office Savings Bank	Legal Notice No.235 of 18/6/90
12.	Consolidated Bank of Kenya	Legal Notice No.236 of 19/6/90
13.	Central Bank of Kenya	Legal Notice No.245 of 11/8/89
14.	Kenya Shipping Lines Limited	Legal Notice No.116 of 29/3/89
15.	Kenya Airways Limited	Legal Notice No.219 of 24/5/91
16.	Kenya Airfreight Handling Company Limited	Legal Notice No.219 of 24/5/91
17.	Kenya Flamingo Airways Limited	Legal Notice No.219 of 25/5/91
18.	Kenya Wine Agencies Limited	Legal Notice No.414 of 2/12/93

19.	General Motors Limited	Legal Notice No.245 of 11/8/89
20.	National Social Security Fund	Legal Notice No.288 of 28/9/94
21.	Kenya Wildlife Service	Legal Notice No.337 of 2/11/93
22.	Kenya Airports Authority	Legal Notice No.43 of 16/3/96
23.	Kenya Ports Authority	Legal Notice No.43 of 16/3/96
24.	National Cereals and Produce Board	Legal Notice No.43 of 16/3/96
25.	Kenya Posts and Telecommunications Corporation	Legal Notice No.43 of 16/3/96
26.	Kenya Power and Lighting Company	Legal Notice No.43 of 16/3/96
27.	Mumias Sugar Company Limited	Legal Notice No.44 of 16/3/96
28.	Chemelil Sugar Company Limited	Legal Notice No.44 of 16/3/96
29.	Kenya Power Company	Legal Notice No.23 of 7/3/97
30.	Tana River Development Authority	Legal Notice No.23 of 7/3/97
31.	Kenya Utalii College ***(exempt only from Sub-Sections 3 and 4 of Section 5 of the Act)***	Legal Notice No.172 of 24/2/92
32.	Kenya Broadcasting Corporation	Legal Notice No.4069 of 2/7/94
33.	African Tours and Hotels Limited	Legal Notice No.58 of 9/4/96
34.	Capital Markets Authority	Legal Notice No.105 of 10/3/97
35.	Kenya Pipeline Company Limited	Legal Notice No.104 of 19th June, 1997
36.	Capital Markets Authority	Legal Notice No.105 of 19th June, 1997
37.	The Kenya Ordnance Factories	Legal Notice No.522 of 28th October, 1997
38.	Nyayo Tea Zones Development Corporation *(exempt only from Section 5(3)*	Legal Notice No.86 of 12th June, 1998

39. Kenya Tourist Board
(exempt only from Section 5(3)

Legal Notice No.102 of 23rd June, 1998
