

REPUBLIC OF KENYA



Approved
SNA
5/18/25

PARLIAMENT
OF KENYA
LIBRARY


THE NATIONAL ASSEMBLY

.....
THIRTEENTH PARLIAMENT – FOURTH SESSION – 2025
.....

THE SIXTH REPORT OF THE PUBLIC INVESTMENTS COMMITTEE ON
SOCIAL SERVICES, ADMINISTRATION AND AGRICULTURE ON THE
CONSIDERATION OF THE AUDITOR GENERAL'S REPORTS ON THE
FINANCIAL STATEMENTS OF SELECTED STATE CORPORATIONS

DIRECTORATE OF AUDIT, APPROPRIATIONS & GENERAL-PURPOSE
COMMITTEES.

CLERK'S CHAMBERS
PARLIAMENT BUILDINGS
NAIROBI

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 05 AUG 2025	DAY: Tuesday
TABLED BY:	Hon. Emmanuel Wangwe, MP (Chairperson)
CLERK AT THE TABLE:	Lomale AUGUST, 2025

NATIONAL ASSEMBLY
RECEIVED
05 AUG 2025
SPEAKER'S OFFICE
P. O. Box 41842, NAIROBI.

TABLE OF CONTENTS

List of Abbreviations/Acronyms.....	ii
CHAIRPERSON’S FOREWORD	iii
EXECUTIVE SUMMARY	v
1.0 PREFACE.....	1
Establishment and Mandate of the Committee	1
Committee Membership.....	2
1.3 Committee Secretariat.....	3
2.0 General Committee Observations and Recommendations	4
EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE AUDITED ACCOUNTS OF THE AGRO-CHEMICAL AND FOOD COMPANY LIMITED FOR THE FINANCIAL YEAR 2015/2016 AND 2016/2017.....	6
EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE AUDITED ACCOUNTS OF KENYA ANIMAL GENETIC RESOURCES CENTRE FINANCIAL YEAR 2011/2012 - 2017/2018.....	13
EXAMINATION OF THE AUDITOR GENERAL’S REPORT OF THE MOI TEACHING AND REFERRAL HOSPITAL FOR FINANCIAL YEARS 2015/2016 AND 2016/2017....	27
EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE AUDITED ACCOUNTS OF THE PUBLIC BENEFIT ORGANIZATION REGULATORY AUTHORITY (FORMERLY NGO CO-ORDINATION BOARD FOR THE FINANCIAL YEAR 1992/1993 – 2006/2007.....	54

List of Abbreviations/Acronyms

PIC-SSAA - Public Investments Committee on Social Services Administration and Agriculture

Ag. - Acting

AG - Attorney General

CEO - Chief Executive Officer

CS - Cabinet Secretary

DCI - Directorate of Criminal Investigations

DG - Director General

EACC - Ethics and Anti-Corruption Commission

FY - Financial Year

GoK - Government of Kenya

IAS - International Accounting Standards

AGC&FC– Agro-Chemical and Food Company

KAGRC – Kenya Animal Genetic Resource Centre

MTRH – Moi Teaching and Referral Hospital

PBORA – Public Benefit Organization Regulatory Authority

CHAIRPERSON'S FOREWORD

The Public Investments Committee on Social Services, Administration and Agriculture is one of the six Watchdog Committees in the thirteenth Parliament that examines reports of the Auditor-General laid before the National Assembly to ensure efficiency and effectiveness in the use of public resources. The Committee is established pursuant to National Assembly Standing Order 206 B.

The Public Investment on Social Services, Administration and Agriculture, with regard to the agriculture, public administration, health, and social protection sectors; examines the reports and accounts of public investments, examine the reports of the Auditor-General on public investments; and in the context of the autonomy and efficiency of the public investments, examine whether the affairs of the public investments, are being managed in accordance with sound financial or business principles and prudent Commercial practices. This ensures implementation of *Article 229(8)* of the Constitution on reports laid before the House by the Auditor- General.

In examining the accounts of the Auditor General, the Committee invited accounting officers in each of the State Corporations under review adduce evidence before it.

There are more than four hundred (400) State Corporations undertaking different mandates in their respective sectors. Due to this large number, the previous Public Investments Committees had been unable to conclude examination of the accounts of the Auditor General of these State Corporations. Considering the workload and the backlog, the National Assembly resolved to amend the standing orders by splitting the Public Investment Committee into three Committees, Public Investments Committee on Social Services, Administration and Agriculture (PIC-SSAA) being one of them.

The Committee (PIC-SSAA) with a view to clear the backlog in examining the reports of the Auditor General, embarked on the process of inviting the accounting officers for the State Corporations under its mandate to adduce evidence before it.

This report contains observations, findings and recommendations arising from examination of reports of the Auditor-General for Four (4) state corporations for different financial years. The

report is structured as follows:

- i) general observations to each of the cross-cutting queries;
- ii) recommendations to each of the cross-cutting queries;
- iii) audit queries identified by the Auditor General in his audit reports of each state corporations
- iv) management responses to each of the queries;
- v) Committee observations/ findings on each query; and
- vi) Committee recommendations to each query raised

In this report, the Committee makes policy recommendations and at the same time recommends specific actions against specific officers. It further recommends further investigations of certain matters by competent investigative agencies such as the EACC and the DCI.

The Committee appreciates the Offices of the Speaker and the Clerk of the National Assembly for the support accorded to it to fulfil its Constitutional mandate. The Committee further extends its appreciation to the Office of the Auditor- General for the services they offered to the Committee during the entire period.

I also extend my appreciation to my fellow Members of the Committee whose contributions and dedication to duty has enabled the Committee to examine the audit queries and produce this report. On behalf of the Public Investments Committee on Social Services, Administration and Agriculture and pursuant to National Assembly Standing Order 199(6), it is my pleasant duty and honour to present the 5th Report of the Public Investments Committee on Social Services Administration and Agriculture on the examination of the Reports of the Auditor General on the Financial Statements of four (4) State Corporations.


HON. EMMANUEL WANGWE CBS, MP

**CHAIRPERSON – PUBLIC INVESTMENTS COMMITTEE ON SOCIAL SERVICES,
ADMINISTRATION AND AGRICULTURE**

EXECUTIVE SUMMARY

The 6th Report of the Public Investments Committee on Social Services, Administration and Agriculture contains the Committee examination of four (4) State Corporations.

In its examination and scrutiny of the audited financial statements of the various State Corporations, the Committee primary approach was to elicit background information as to why particular course of financial and/or management actions were or were not taken. This was done with the relevant laws in mind including, the Constitution, the Public Finance Management Act, 2012 and the attendant Regulations, the Public Audit Act, 2015, the State Corporations Act, and the Public Procurement & Asset Disposal Act, 2015.

The preface of the report contains preliminaries on the establishment of the Committee, its Membership and Secretariat, mandate and the guiding principles governing the Committee while undertaking its mandate.

Part two of the report contains the Committee general observations / findings on cross cutting issues, and its recommendations.

Part three of the report contains reports of the specific State Corporations, Committee Observations, findings and finally, Committee recommendations on the State Corporations.

1.0 PREFACE

1.1 Establishment and Mandate of the Committee

1. The Public Investments Committee is established under the National Assembly Standing Order (S.O.) 206B and is responsible for the examination of the working of public investments based on their audited reports and accounts. It is mandated to –
 - i) examine the reports and accounts of public investments;
 - ii) examine the reports, if any, of the Auditor General on public investments; and
 - iii) Examine, in the context of the autonomy and efficiency of public investments, whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.

2. The Committee, in considering the audited accounts of State Corporations, was guided by the Constitution of Kenya and the following statutes and regulations in carrying out its mandate;
 - i) The Public Finance Management Act, 2012;
 - ii) The Public Audit Act, 2015;
 - iii) The State Corporations Act, 1986;
 - iv) The Public Procurement and Assets Disposal Act, 2015;
 - v) The National Assembly Standing Orders; and
 - vi) The National Assembly (Powers and Privileges) Act, 2017.

1.2 Committee Membership

3. The Committee membership comprises –

S/No	Member's Name	Constituency	Party
1.	Hon. Emmanuel Wangwe, MP CBS– Chairperson	Navakholo	ODM
2.	Hon. Caleb Amisi Luyai, MP- Vice Chairperson	Saboti	ODM
3.	Hon. Ferdinand Kevin Wanyonyi, MP	Kwanza	FORD-K
4.	Hon. Martin Peters Owino, MP	Ndhiwa	ODM
5.	Hon. Amb. Benjamin Langat,MP	Ainamoi	UDA
6.	Hon. Nixon Nicholas Ngikor Ngikolong, MP	Turkana East	Jubilee
7.	Hon. (Dr.) Lilian Gogo, MP	Suna West	ODM
8.	Hon. Fatuma Jehow Abdi MP	Wajir	ODM
9.	Hon. Umulker Sheikh Kassim	Mandera	UDM
10.	Hon Elijah Njore Njoroge Kururia, MP	Gatundu North	Independent
11.	Hon. Caleb Mule Mutiso,MP	Machakos Town	MCCP
12.	Hon. Bishop Emeritus (Dr.) Jackson Kipkemoi Kosgei, MP	Nominated	UDA
13.	Hon. Joshua Kivinda Kimilu, MP	Kaiti	WDM
14.	Hon. Michael Wambugu Wainaina, MP	Othaya	UDA
15.	Hon. Paul Nabuin Ekwom, MP	Turkana North	ODM

1.3 Committee Secretariat

4. The following members of the Secretariat facilitated the Committee:

Mr. Aden Abdullahi

Principal Clerk Assistant I-Head of Secretariat

Ms. Christine Mariita
Clerk Assistant III

Ms. Mercy Kinyua
Legal Counsel II

Mr. Enock Manwa
Clerk Assistant III

Mr. Thomas Ogwel
Fiscal Analyst I

Ms. Esther Kariuki
Hansard Officer III

Mr. Wesley Abugah
Research Officer III

Mr. Moses Esamai
Audio Officer

Ms. Maryan Gabow
Public Communication Officer III

Mr. Stanley Langat
Senior Sergeant-At-Arms

Mr Yakub Ahmed
Media Relations Officer II

1.4 Committee Proceedings

5. In its inquiry into whether the affairs of public investments are managed in accordance with sound business principles and prudent commercial practices, the Committee received both oral and written evidence from Chief Executive Officers of various State Corporations.
6. To produce this report, the Committee held ten (10) sittings in which it examined the evidence adduced by the accounting officers of the four (4) State Corporations.
7. The recommendations are found under various sections of the report on each of the State Corporations examined.
8. The recommendations on the issues raised by the Auditor General for the various State Corporations are found under appropriate sections of the report for each of the State Corporations covered.
9. These observations and recommendations, if considered and implemented, will enhance accountability, effectiveness, transparency, efficiency, prudent management, commercial viability and value for money in State Corporations and the public investments sector as a whole.

General Committee Observations and Recommendations

Lack of Possession and ownership documents on land and buildings.

10. The Committee observed and noted with concern that several public entities do not have title deeds for various parcels of land in their custody. Some of these lands have either been grabbed or encroached into denying the institutions chances of utilizing the parcels of land for the service to the public. Such cases were noted in Kenya Animal Genetic Resource Centre which had seven (7) parcels of land with a total acreage of 168.082 hectares that were valued and the Centre did not possess title deeds for the parcels. Similarly, Moi Teaching and Referral Hospital has a land where Uasin Gishu Memorial Hospital (UGMH) is situated which has been subject to a court case between the hospital (MTRH) and the former Directors of the (UGMH) for over six years.

Committee Recommendations

The Committee recommended that –

- i) Within three (3) months upon adoption of this report, the Accounting Officers for the respective State Corporations should liaise with the Principal Secretaries for the respective State Departments in the line Ministries and the National Land Commission to fast-track the process of acquiring title deeds to resolve ownership disputes and ensure legal actions are taken against private individuals who have illegally acquired public land.
- ii) Within three months upon the adoption of this report, the inspector general for the inspectorate of State corporations in collaboration with the Attorney General should compile a report of all the public lands with ownership disputes in various courts and submit to the National Assembly

to be used as a basis of initiating inquiries on ownership status of the public lands and repossession where applicable. Also put caveats on all the parcels of State Corporations land that are in private hands.

- iii) The National Assembly should enact a law prescribing that all public land ownership documents should centrally be held under the custody of the National Treasury for safekeeping.

Delay in availing documents to the Auditor-General

- 11. The Committee observed that some accounting officers did not avail complete and reconciled financial and accounting records/documentation in time for audit review and verification during the audit exercise leading to unnecessary queries. This is contrary to the provisions of Article 226 of the Constitution and Section 68(2) of the PFM Act 2012 which requires that the financial and accounting records are presented within three (3) months after the close of the financial year. Section 62 of the public Audit Act of 2015 obligates accounting officers to provide required documents for audit failure to which they be sanctioned.

Committee Recommendations

The Committee recommended that –

- i) Accounting officers should always comply with the provisions of Section 68(2) of the Public Finance Management Act of 2012 by submitting all the required information for audit within the stipulated timelines.
- ii) The Accounting Officer who fails to provide required information for audit pursuant to 62(1) of the Public Audit Act, CAP 412B should be prosecuted for the offence pursuant to Section 62(2) of the Public Audit Act CAP 412B.

Delayed Accountability of Imprest.

- 12. The Committee noted that some State Corporations were in breach of Section 71 of the Public Finance Management Act CAP 412A and the attendant regulations that require surrender of imposts within seven days upon conclusion of the assignment for which the said impost was issued.

Committee recommendations

The Committee recommended that –

- i) The Accounting Officers should ensure that impost advanced to officers is surrendered within the stipulated period of seven (7) days after return to the work station in accordance with section 93 of the Public Finance Management (National Government) Regulations, 2015.
- ii) Within six months of the adoption of this report, the Accounting Officers who will have failed to take necessary steps to ensure that all outstanding imposts within their jurisdictions are recovered from the due date should be surcharged the full amount due.

- iii) The Accounting Officer should submit a status report with evidence of recovery to the Auditor-General for audit and reporting.

EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE AUDITED ACCOUNTS OF THE AGRO-CHEMICAL AND FOOD COMPANY LIMITED FOR THE FINANCIAL YEAR 2015/2016 AND 2016/2017.

Mr. Ashok Agrawal Resident Director/CEO of Agro-Chemical and Food Company Limited appeared before the committee. He was accompanied by Mr. Joseph Andere (Finance) and Mr. Edwin Owiti (Finance), to adduce evidence on the Audited accounts of Agro-Chemical and Food Company Limited

Financial year 2015/2016.

1. Going Concern

13. The Committee heard that, although the company made a profit of Kshs. 227,711,344 which reduced its accumulated deficit from Kshs. 6,802,260,465 as at 30 June 2015 to Kshs. 6,574,549,121 as at 30 June 2016, the current liabilities Kshs. 9,042,987,816 however exceeded current assets of Kshs. 1,930,079,620 by kshs. 7,112,908,196 as at 30 June 2016. This situation indicates that the company is facing financial challenges. Therefore, the financial statements have been prepared on a going concern basis on the assumption that the company will continue to receive financial support from the Government, creditors and bankers.

Management response

14. The management informed the Committee that, they agreed with the observation that the Company made a profit of Kshs. 227,711,344 which reduced the accumulated deficit from Kshs. 6,802,260,465 to Kshs. 6,574,549,121 in the year under review. Further, they agreed with the observations that the current liabilities of Kshs. 9,042,987,816 exceeded current assets of Kshs. 1,930,079,620 by Kshs. 7,112,908,196 as at June 30, 2016. The management also agreed with the observation that the Company is technically insolvent and the financial statements have been prepared on a going concern basis on the assumption that the Company will receive support from the Government, creditors and bankers.
15. As explained to the auditors in the previous years, the accumulated negative equity arose due to the Loan interest and the exchange losses on the GOK loans which were beyond the control of the Board and management. The Company has always met its financial obligations when they fall due apart from the repayment of GOK loan which is beyond the control of the Board and Management. The Management and Board are equally concerned regarding the negative equity and remain hopeful that the financial restructuring process will be completed with the Privatization Commission to fully address this position.

Current Position

16. The Company has always made cash profits to support its operations. However, when the Government loan is charged in the financial statements the Company post losses. The Company is currently under the Privatization process. Due diligence has been done as they await the approval. It is expected that once privatization is completed and the Government loan is restructured the financial position will improve and the accumulated losses wiped out bringing the Company back to profitability.

Committee Observations

The Committee observed that –

- i) The Committee was concerned that the company has been paying management fees and in particular, it paid kshs. 30,207,376 to Mehta Group in the year ended 30 June 2016 as management fees for having seconded a Chief Executive Officer. This was despite the fact that the company reported negative working capital of Kshs. 7,112,908,196 as at 30 June 2016 and net loss of Kshs. 227,711,344.
- ii) The accumulated negative equity arose owing to loan interest and the exchange losses on the GoK loans of Kshs. 8,683,963,908 and repayment is beyond the control of the Board and Management. While the Kenya government has offered finance to the company in form of the loan which is yet to be repaid, no dividend has been paid to the government of Kenya over several years while the Mehta Group has over the years received management fees. This implies that the co-shareholder has continued to draw benefits in form of management fees while the Kenya Government has not been drawing any returns in form of dividends. The shareholding and the management arrangement is unfairly drawn and skewed in favour of Mehta Group.
- iii) The Company is currently under the Privatization process and due diligence had been done awaiting approval. However, the process has taken quite some time.
- iv) The Company is technically insolvent.

Committee Recommendations

The Committee recommends that –

- i. Within three months upon adoption of this report, the EACC should review the operations of the company with a view to establish whether there were any improprieties in the running of the Company and acquisition of the government of Kenya loan. The EACC should among other things review the Historical background of the company since inception to date, the Shareholding status of the Company, Capital contribution per shareholder, the CR12 and the terms of the Management Contract between Agro-Chemical and Mehta Group and submit a report to the Parliament on its findings.
- ii. Within three months upon adoption of this report, the Attorney-General to review the shareholding and management arrangement with a view to establish whether it is fairly drawn or skewed. The

Attorney-General should then propose for approval by the Cabinet a regularized shareholding and management arrangement for fair distribution of the company profits.

Financial Year 2016/2017

Capital Works in Progress

17. The Committee heard that, the statement of financial position reflects under property, plant and equipment a balance of Kshs.2,525,268,847, which includes capital work in progress of Kshs.80,983,897. These capital work in progress, however, includes projects worth Kshs.13,469,200 which have been terminated for being unviable as shown here below;

Project	Amount (Kshs)
Construction of new Molasses preparation station	12,353,522
River pump project	603,448
Construction of water clarifier	512,230
Total	13,469,200

18. Consequently, it has not been possible to confirm the carrying value of property, plant and equipment balance of Kshs.2,525,268,847.

Management response

19. The management informed the committee that they agreed with the observation that the statement of financial position reflects under property plant and equipment a balance of Kshs. 2,525,268,847 which includes capital works in progress of Kshs. 80,983,897. These capital work in progress however included projects worth Kshs. 13,469,200 which have been terminated for being unviable.

Current Position

20. The Company carried out a feasibility study on the construction of new molasses preparation Station. Once it was completed the cost of implementing the project was way above the budget and could not be implemented hence it was viable to terminate it. The river pump and water clarifier were also terminated.

Committee Observations

The Committee observed that –

- i) The committee observed that capital work in progress for projects worth Kshs. 13,469,200 were terminated after being deemed unviable.

- ii) A feasibility study on the construction of new molasses preparation Station was deemed to have been carried out but eventually upon completion, the cost of implementing the project was way above the budget hence not viable. It was not clear how this translated to inefficiency in terms of cost benefit analysis if at all the feasibility study was genuine and the project was implemented within the timelines.
- iii) The river pump and water clarifier were also terminated.
- iv) The contract documents for the projects were not provided to the committee for review.
- v) The capital work in progress worth Kshs. 13,469,200 is impaired.

Committee recommendations

The Committee recommends that–

Within three months upon adoption of this report, the EACC should review the procurement process for the projects and the feasibility study report with a view to establish whether there were any improprieties. Should any officer be found culpable, the Director of Public Prosecutions to take the necessary legal action.

2. Tax Matters

- 21. The committee heard that Note 26 to the financial statements on contingent liabilities which indicates that there is a pending demand note from Kenya Revenue Authority of Kshs.634,644,435 in respect of withholding tax assessment on interest paid to the National Treasury. The Company directors are of the opinion that this demand will be vacated and hence no liability arising.

Management response

- 22. The management informed the Committee that they agreed with the observation that according to Note 26 to the financial statements on contingent liabilities there was a pending tax demand of Kshs. 634,644,435 from Kenya Revenue Authority in respect of withholding tax assessment.
- 23. As explained to the auditors, the directors are of the opinion that the demand will be vacated hence no liability arising. In the past, the Public Investment committee recommended to The National Treasury and Kenya Revenue Authority to vacate the demand. The Company wrote to both The National Treasury and KRA and we are awaiting their response.

Current Position

- 24. This matter has been resolved and set aside by the Tax appeals Tribunal and there is no liability on the Company.

Committee Observations

The Committee observed that –

- i) The Committee observed that, the matter was deliberated on in the 21st Committee report where The National Treasury approved the waiver of withholding tax and exempted the Company from payment of withholding tax on government guaranteed loans in September 27, 2010. However, KRA has not granted the Company letter vacating the demand of the tax.
- ii) The matter had been referred to the Tribunal and judgement for setting aside the withholding tax made in favour of the company. However, there were no documents to show that KRA had vacated the demand.
- iii) The amount in question had been assessed in 2008 and has been pending over the years.

Committee Recommendations

The Committee recommends that–

Within three months upon adoption of this report, the Accounting Officer Agro-chemical, The PS National Treasury and the Commissioner General -Kenya Revenue Authority reviews and expedite on the matter of vacating the withholding tax with a view to settling it amicably.

3. Budget Performance Analysis

- 25. The committee heard that a comparison of budget and actual figures revealed variances as detailed below;

	Budget (Kshs)	Actual (Kshs)	Variance (Kshs)	Variance (%)
Income	2,243,600,000	1,768,367,293	475,232,707	21%
Cost of sales	1,400,461,000	1,073,152,881	327,308,119	23%
Gross Profit	843,139,000	695,214,412		
Expenses				
Administration costs	334,675,000	222,438,176	112,236,824	34%
Depreciation	140,898,000	107,979,269	32,918,731	23%
Interest on loans	283,631,000	263,367,988	20,263,012	7%
Taxes	-	26,044,982	(26,044,982)	
Total Expenditure	759,204,000	619,830,415		
Surplus	83,935,000	75,383,997		

- 26. Analysis of the corporation’s budget against the actual figures revealed that the corporation underspent in all expense categories largely due to the reduced sales activity during the year. The

reduction in sales has been attributed to shortage in raw materials. The company needs to seek for new sources of its core raw materials to enhance productivity.

Management response

27. The Committee was informed that the management agreed with the observation that included in the statement of budget and actual amounts under cost of sales were items which had unfavorable performance during the year. The variances were largely attributed to the reduced sales activity during the year due to shortage of raw materials. As recommended, the Company will continue to seek alternative sources of raw materials to enable the plant run at full capacity.

Current Position

28. The underspending against the approved budget arises when the Company cannot achieve the budgeted production figures in alcohol production due to closure of the alcohol plant due to lack of molasses.

Committee Observations

- i) The Committee observed that, the Company could not achieve the budgeted figures in alcohol production due to lack of molasses necessitating the closure of the alcohol plant.
- ii) The Company had not sought alternative sources of raw materials to enable the plant run at full capacity thus inefficient over the years. The company may have been deliberately run down with a view to disposing it off at a value below the market price.
- iii) The Committee had deliberated on the going concern issue in its report for 2015/2016, observed and made recommendations thereon with respect to the company performance. The Committee upholds the observations and recommendations made thereon.

4. Going Concern

29. The committee was informed that the company reported a net profit of Kshs.40,799,345 which was attributed to a revaluation surplus of Kshs.281,775,563. The accumulated deficit therefore increased from Kshs.6,574,549,120 as at 30 June 2016 to Kshs.6,815,525,338 as at 30 June 2017. The current liabilities of Kshs.8,907,542,958 also exceeded current assets of Kshs.1,614,005,959 by Kshs.7,293,536,999 as at 30 June 2017. This situation indicates that the company is facing financial challenges. Therefore, the financial statements have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the Government and creditors.

Management response

30. The committee was informed that the management of the company agreed with the observation that the Company made a profit of Kshs. 40,799,345 which was attributed to a revaluation surplus of Kshs. 281,775,563. We also agree with your observation that the accumulated deficit increased from 6,574,549,120 as at 30, June 2016 to Kshs. 6,815,525,338 as at June 30, 2017. We also agree with your observation that the current liabilities of Kshs. 8,907,542,958 exceeded the current assets of Kshs. 1,614,005.959 by kshs. 7,293,536,999 as at June 30 2017.
31. The management also agreed with the observation that the Company is facing financial challenges and the financial statements have been prepared on a going concern basis on the assumption that the Company will receive support from the Government, creditors and bankers. As explained to the auditors in the previous years, the accumulated negative equity arose due to the Loan interest and the exchange losses on the GOK loans which were beyond the control of the Board and management.
32. The Company has always met its financial obligations when they fall due apart from the repayment of GOK loan which is beyond the control of the Board and Management. The Management and Board are equally concerned regarding the negative equity and remain hopeful that the financial restructuring process will be completed with the Privatization Commission to fully address this position. The privatization Commission have started the process of unlocking the privatization of the Company.

Current Position

33. The Company's accumulated losses are still huge and this will only be resolved once the privatization process is complete.

Committee Observations

The Committee observed that –

The Committee was concerned that the issue of poor financial performance and the negative working capital had been reported over the several past years including FY 2015/2016 and therefore upholds the observations and recommendations made therein.

Committee Recommendations

The Committee recommends that –

The Committee upholds the recommendations made in its report for 2015/2016 contained in this report.

EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE AUDITED ACCOUNTS OF KENYA ANIMAL GENETIC RESOURCES CENTRE FOR THE FINACIAL YEARS 2011/2012-2017/2018

Dr Benadatte Misoi Managing Director accompanied by Ms. Faith Aciita (Head of Corporate service), Mr. Michael Wanyama (Internal Audit), Mr Silas Osundo (Senior Accountant) and Ms. Naomi Jeptoo (PSCO) appeared before the Committee to adduce evidence on the audited accounts for the financial years 2011/2012- 2017/2018.

Financial year 2011/2012

1. Property, Plant and Equipment

34. The Committee heard that, as disclosed in note 17, property, plant and equipment of Kshs. 188,088,546 excludes the cost of unvalued parcels of land LR.22375 and LR.22387 of approximately 75 and 358 acres respectively located at lower Kabete (next to University of Nairobi, Lower Kabete Campus) for which the Centre has not obtained ownership document. Although the land is developed with investment in buildings with a net value of Kshs. 41,328,566 as well as other developments, information available indicates that the land belongs to the former Ministry of Livestock Development. In addition, the Centre's property, Plant and equipment has not been valued in line the International Accounting Standards No 16.
35. In the absence of the valuation and ownership documents, it has not been possible to confirm that the property, plant and equipment balance of Kshs. 188, 088, 546, as at 30th June 2012 is fairly stated.

Management Response

36. Management informed the Committee that;
- a) The matter is being handled by State Department of Livestock Development, National Land Commission and Ministry of Lands .
 - b) Valuation to be done once title deed is acquired.

Committee Observation

The Committee observed that –

- i) The accounting officer was in breach of;
 - a) Public Finance Management Regulation (National Government) section 139 which requires accounting officers of national government to take full responsibility and ensure proper control systems are in place to safeguard the assets and;
 - b) The International Accounting Standards (IAS 16) which require entities to disclose sufficient, relevant and representationally faithful information about property, plant and equipment to enable users of its financial statements to understand and evaluate the effect property, plant and equipment has on the financial position, financial performance and cash flows of the entity.
- ii) The accounting officer failed to include in the financial statements the value of parcels of land LR.22375 and LR.22387 of approximately 75 and 358 acres respectively due to lack of ownership documents.
- iii) The Centre has not carried out valuation of the parcels of land land LR.22375 and LR.22387 of approximately 75 and 358 acres respectively
- iv) The Centre had developed the land with investment in buildings with a net value of Kshs. 41,328,566 as well as other developments though the land belongs to the former Ministry of Livestock Development.

Committee Recommendations

The Committee recommends that –

- i) The Committee reprimands the then Accounting Officer for failure to adhere to relevant laws and standards guiding on presentation of Property, Plant and Equipment such as Public Finance Management (National Government) Regulations, 2015 and International Public Sector Accounting Standards. Subsequently, the accounting officer must always ensure the correct value of assets are disclosed in the financial statements.
- ii) Within three months upon adoption of this report, the Principal Secretary of the State Department for Livestock Development in conjunction with the National Lands Commission to fast-track the issue of KAGRC land.

2. Cash and Bank Balance and Statement of Cash Flow

37. The Committee heard that, the Cash and bank balance of Kshs. 918,711 as at 30th June, 2012 includes bank statement balances which the Centre's management used while preparing the financial statements instead of the reconciled cash book balance. In addition, the balance is net of Kshs. 382,853 being overdrawn cash book balance of the Centre's operations account. The net off is contrary to the requirements of the International Accounting Standards No. 1 paragraph 32 which requires that assets and liabilities should not be offset against each other excepts when offsetting reflects the substance of the transaction, further the management did not include movement in changes on working capital items in the statement of cash flows. In the circumstances, the accuracy of the cash and bank balances of Kshs.918, 711 as currently reported could not be confirmed.

Management response

38. The management informed the Committee that;

- a) The cashbook was corrected in subsequent financial year and the reconciled cash book balance used instead of the bank balance
- b) movement in changes on working capital items were included in the Statement of Cash flow used.

Committee Observation

The Committee observed that –

- i) The management of KAGRC used bank statement balances when preparing financial statement instead of the reconciled cash book balance.
- ii) Cash and bank balance of Kshs. 918,711 as at 30th June 2012 is net of overdrawn cashbook balance of Kshs. 382,853. This is contrary to the requirements of the International Accounting Standards No. 1 paragraph 32 which requires that assets and liabilities should not be offset against each other excepts when offsetting reflects the substance of the transaction.
- iii) The management failed to include movement in changes on working capital items in the cashflow statement.
- iv) There was no evidence to support the claim by management that the cashbook was corrected in the subsequent financial year and that movement on changes in working capital items were included in the statement of cashflows used. The correction/restatement was also invalid in the absence of prior year adjustments

Committee Recommendations

The Committee recommends that –

The Committee reprimands the then Accounting Officer for failure to adhere to the requirements of the International Public Sector Accounting Standards No. 1 paragraph 32.

Financial year/2012/2013

1. Property, Plant and Equipment

39. The Committee heard that, as reported in the previous year, and as disclosed in Note 17 to the financial statements for the year ended 30th June 2013 property, plant and equipment balance of Kshs. 176, 042, 765 excludes the cost of unvalued seven (7) parcels of land, as detailed below, for which Centre has not obtained ownership documents.

Registration No.	Size	Location / User
L.R No. 22380/26	89.47 hectares	Veterinary Hqs. Kabete
L.R No. 23362	47.47 hectares	Artificial Insemination
L.R No. 2337515	22.65 hectares	Hayfield
L.R No. 23943	0.030. hectares	Borehole

L.R No. 26536	0.198 hectares	Staff houses
L.R. No. 22380	5.000 hectares	Veterinary Hayfield
L.R. No. 22387	3.264 hectares	Ahiti Kabete
Total	168.082 hectares	

40. In addition, the Centre's property, plant and equipment has not been valued as at 30th June 2013, contrary to International Accounting Standards No. 16. Consequently, it has not been possible to confirm that property, plant and equipment balance as 30th June, 2013 is fairly stated.

Management Response

The Management informed the Committee that;

- a) The matter is being handled by State Department of Livestock Development, National Land Commission and Ministry of Lands.
- b) Valuation to be done once title deed is acquired.

Committee Observations

The Committee observed that –

- i) The accounting officer was in breach of;
 - a) Public Finance Management Regulation (National Government) section 139 which requires accounting officers of national government to take full responsibility and ensure proper control systems are in place to safeguard the assets and;
 - b) The International Accounting Standards (IAS 16) which require entities to disclose sufficient, relevant and representationally faithful information about property, plant and equipment to enable users of its financial statements to understand and evaluate the effect property, plant and equipment has on the financial position, financial performance and cash flows of the entity.
- ii) The Accounting officer failed to include seven (7) parcels of land in the financial statement due to lack of ownership documents. Further, the Centre had not carried out valuation of the said seven (7) Parcels of land measuring 168.82 hectares located across the country.

Committee Recommendations

The Committee recommends that –

- i) The Committee reprimands the then Accounting Officer for failure to adhere to relevant laws and standards guiding on presentation of Property, Plant and Equipment such as Public Finance Management (National Government) Regulations, 2015 and International Public Sector Accounting Standards. Subsequently, the accounting officer must always ensure the correct value of assets are disclosed in the financial statements.
- ii) Within three months upon adoption of this report, the Principal Secretary, State Department for Livestock Development in conjunction with National Lands Commission to fast track the issue of KAGRC land.

2. Financial Performance

41. The Committee heard that, during the year under review, the Centre recorded a loss of Kshs. 22,798,845 (2011/2012-Kshs 3,044,465) and thereby reducing revenue reserves to negative Kshs. 25,843,310 as at 30th June, 2013. In the absence of clear strategies put in place to increase revenue generation and minimize operation costs in a sustainable manner, the Centre is likely to face serious financial difficulties in future.

Management Response

42. Management informed the committee that, Strategies were explored in the strategic plan 2014-2015 to increase internally generated revenue and reduce operational costs. This included resource mobilization through government grants and expansion of new products such as professional fees for own farm semen collection and testing of liquid nitrogen containers.

Committee observation

The Committee observed that–

- i) The Centre had explored strategies to increase revenue generation or minimize operational costs in a sustainable manner. However, there was no evidence of implementation of these strategies to reverse the negative financial trend and sustain its operations in the long term.
- ii) The Centre recorded a substantial loss of Kshs 22,798,845 for the year under review, a considerable decline in performance from the previous year's loss of Kshs 3,044,465 thus worsening financial performance. The ongoing financial losses and negative reserves could lead to liquidity challenges, inability to meet operational expenses, and potential insolvency.

Committee Recommendations

The Committee recommends that –

43. The Centre should always ensure that receipts and expenditures are properly managed to control financial losses and negative reserves that could lead to liquidity challenges, inability to meet operational expenses and potential insolvency is mitigated.

Financial Year 2013/2014

1. Property, Plant and Equipment

44. The Committee heard that, as reported in the previous years, and disclosed in Note 15 to the financial statements, property, plant and equipment balances of Kshs 182,081,229.00 excludes the cost of seven (7) unvalued parcels of land measuring a total of 168, 082 hectares, as detailed below, for which the Centre has not obtained ownership documents.

Registration No.	Size	Location / User
-------------------------	-------------	------------------------

L.R No. 22380/26	89.47 hectares	Veterinary Hqs. Kabete
L.R No. 23362	47.47 hectares	Artificial Insemination
L.R No. 2337515	22.65 hectares	Hayfield
L.R No. 23943	0.030. hectares	Borehole
L.R No. 26536	0.198 hectares	Staff houses
L.R. No. 22380	5.000 hectares	Veterinary Hayfield
L.R. No. 22387	3.264 hectares	Ahiti Kabete
Total	168.082 hectares	

45. In addition, the Centre's property, plant and equipment has not been valued as at 30th June 2014, contrary to International Accounting Standards No. 17. Consequently, it has not been possible to confirm that property, plant and equipment balance as 30th June, 2014 is fairly stated.

Management Response

- a) The matter is being handled by State Department of Livestock Development, National Land Commission and Ministry of Lands
- b) Valuation to be done once title deed.

Committee Observations

The Committee observed that –

The Committee had deliberated on the issue of Property, Plant and Equipment in its report for 2012/2013, observed and made recommendations thereon with respect to the centre's Property, Plant and Equipment. The Committee upholds the observations and recommendations made thereon.

Financial Year 2014/2015

1. Property, Plant and Equipment

46. The Committee heard that, as previously reported, the property, plant and equipment figure of Kshs. 308,879,290.00 as at 30th June 2015 excludes seven (7) parcels of land measuring a total of 168,082 hectares (listed below for which the Centre has not obtained ownership documents.

Registration No.	Size	Location / User
L.R No. 22380/26	89.47 hectares	Veterinary Hqs. Kabete
L.R No. 23362	47.47 hectares	Artificial Insemination
L.R No. 2337515	22.65 hectares	Hayfield
L.R No. 23943	0.030. hectares	Borehole
L.R No. 26536	0.198 hectares	Staff houses
L.R. No. 22380	5.000 hectares	Veterinary Hayfield
L.R. No. 22387	3.264 hectares	Ahiti Kabete
Total	168.082 hectares	

47. The Centre's property, plant and equipment, including land and building amounts, are carried in the financial statement at cost and had not been valued as at 30th June 2015 contrary to International Accounting Standards No. 17. Consequently, it has not been possible to confirm whether the carrying values as stated in the financial statement reflect the fair values of the property, plant and equipment as at 30th June 2015.

Management response

48. The management informed the Committee that;
- a) The matter is being handled by State Department of Livestock Development, National Land Commission and Ministry of Lands
 - b) Valuation to be done once title deed.

Committee Observations

The Committee observed that –

49. The Committee had deliberated on the issue of Property, Plant and Equipment in its report for 2012/2013, observed and made recommendations thereon with respect to the centre's Property, Plant and Equipment. The Committee upholds the observations and recommendations made thereon.

2. Receivables

50. The Committee heard that, included in the receivables balances of Kshs. 27,584,251.00 as at 30th June 2015 are staff imprest balances of Kshs. 223, 954.00 of which an amount of Kshs. 156,100.00 has not been surrendered or accounted for over three months, with some as old as 18 months. The receivable balance of Kshs, 27,584,251.00 relate to debts outstanding for over 120 days. Any provision that would have been necessary in relation to these uncertainties has not been incorporated in these financial statements.

Management Response

51. The management informed the Committee that, the errors were rectified in subsequent financial year.

Committee Observations

The Committee observed that –

- i) Staff imprest amounting to Kshs. 156,100.00 were not surrendered for over three months, with some as old as 18 months contrary to Regulation 93(5) of the PFM (National Government) Regulations 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station.

- ii) The Centre failed to incorporate in its financial statements a provision for bad and doubtful debts.

Committee Recommendations

The Committee recommends that –

- i) The Accounting officer should always ensure adherence to Regulation 93(5) of the PFM (National Government) Regulations 2015.
- ii) The Accounting Officer should always provide for bad and doubtful debts in their financial statements

Financial Year 2015/2016

1. Property, Plant and Equipment

52. The Committee heard that, as reported in previous years, and disclosed in Note 17 to the financial statements, the property, plant and Equipment balances of Kshs 476,432,822 as at 30th June 2016 excludes the value of seven (7) unvalued parcels of land measuring 168.082 hectares (as listed below) which the Centre has not obtained ownership documents.

Registration No.	Size	Location / User
L.R No. 22380/26	89.47 hectares	Veterinary Hqs. Kabete
L.R No. 23362	47.47 hectares	Artificial Insemination
L.R No. 2337515	22.65 hectares	Hayfield
L.R No. 23943	0.030. hectares	Borehole
L.R No. 26536	0.198 hectares	Staff houses
L.R. No. 22380	5.000 hectares	Veterinary Hayfield
L.R. No. 22387	3.264 hectares	Ahiti Kabete
Total	168.082 hectares	

53. Consequently, it has been possible to confirm whether the carrying values as stated in the financial statements reflect the fair values of the property, Plant and equipment as at 30th June 2016.

Management Response

54. Management informed the Committee that;

- a) The matter is being handled by the State Department of Livestock Development, National Land Commission and Ministry of Lands.
- b) Valuation to be done once the title deed is acquired.

Committee Observations

The Committee observed that –

The Committee had deliberated on the issue of Property, Plant and Equipment in its report for 2012/2013, observed and made recommendations thereon with respect to the centre's Property, Plant and Equipment. The Committee upholds the observations and recommendations made thereon.

2. Receivables.

55. The Committee heard that, as also reported in the previous year, the receivables balances of Kshs. 27,978,357 as at 30th June 2016 reflected in the statement of financial position includes other debtors totaling Kshs. 22,766,853 out of which Kshs. 4,083,060 relate to debits outstanding for over 120 days. Any provision that would have been necessary in relation to these uncertainties has not been incorporated in these financial statements.

Management Response

56. The management informed the Committee that, overdue debts were collected and a provision provided for in the subsequent financial statements.

Committee Observations

The Committee observed that –

The Centre failed to incorporate in its financial statements a provision for bad and doubtful debts.

Committee Recommendations

The Committee recommends that –

57. The Accounting Officer should always provide for bad and doubtful debts in their financial statements

Financial Year 2016/2017

1. Property, Plant and Equipment

58. The Committee heard that, as reported in the previous years, and as disclosed in Note 13 to the financial statement, property, plant and equipment balance of Kshs . 435,360, 433 as at 30th June 2017 excludes the value of seven parcels of land measuring 168,082 hectares which have not been valued and for which the Centre has not obtained ownership documents as listed below;

Registration No.	Size	Location / User
L.R No. 22380/26	89.47 hectares	Veterinary Hqs. Kabete
L.R No. 23362	47.47 hectares	Artificial Insemination
L.R No. 2337515	22.65 hectares	Hayfield
L.R No. 23943	0.030. hectares	Borehole
L.R No. 26536	0.198 hectares	Staff houses
L.R. No. 22380	5.000 hectares	Veterinary Hayfield

L.R. No. 22387	3.264 hectares	Ahiti Kabete
Total	168.082 hectares	

59. Consequently, the legal ownership of the property without titles cannot be confirmed. In addition, without a valuation report on the aforementioned property and inclusion in the financial statements the property, plant and equipment balance of Kshs. 435,360,433 as at 30th June 2027 is not under the circumstances fairly stated.

Management response

- a) The matter is being handled by State Department of Livestock Development, National Land Commission and Ministry of Lands.
- b) Valuation to be done once title deed is acquired.

Committee Observations

The Committee observed that –

The Committee had deliberated on the issue of Property, Plant and Equipment in its report for 2012/2013, observed and made recommendations thereon with respect to the centre's Property, Plant and Equipment. The Committee upholds the observations and recommendations made thereon.

2. Receivables

60. The Committee heard that the statement of financial position as at 30th June, 2017 reflects receivables from exchange transactions balance of Kshs. 29,007,899. The amount includes receivables from KAGRC Agents of Kshs. 24,805,490 out of which Kshs. 7,772,900 relates to debts outstanding for over 120days. Further, included in the above Kshs. 7,772,900 is an amount of Kshs. 3,680,758, which has remained outstanding for over a year. No provision has been made in the books for non- recovery of these long outstanding amounts. The receivables balance of Kshs. 29,007,899 as at 30th June, 2017 is therefore, not fairly stated.

Management Response

The management informed the Committee that, overdue debts were collected and a provision provided for in the financial statements.

Committee Observation

The Committee observed that –

- i) Receivable balance amounting to Kshs. 7,772,900 relates to debts that had been outstanding for over 120 days from KAGRC Agents.
- ii) The Centre failed to incorporate in its financial statements a provision for bad and doubtful debts.

Committee Recommendations

The Committee recommends that –

The Accounting Officer should always provide for bad and doubtful debts in their financial statements.

3. Payables

61. The Committee heard that, the statements of financial position reflects a balance of Kshs. 144,912,306.00 under trade and other payables from exchange transactions. Included in the amount of Kshs. 144,912,306.00 and as disclose under Note 15 to the financial statement is an amount of Kshs. 64,382,868 described trade payables, which Includes trade payables totaling Kshs, 40,295,136.00 that have been outstanding for over a year. No satisfactory reason has been given for failure by the Centre to settle the long outstanding amounts.

Management response

62. Management informed the Committee that, the delay in payment of suppliers was due to insufficient budgetary allocation. Resources were allocated and creditors paid in the following year.
- 63.

Committee Observations

The Committee observed that –

- i) The trade and payables amounting to Kshs, 40,295,136.00 had been outstanding for over a year.
- ii) The Accounting officer was in breach of Section 53 (8) of the Public Procurement and Assets Disposal Act CAP. 412C which prohibits the commencement of any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in the approved budget estimates.
- iii) The Centre had trade payables amounting to Kshs, 40,295,136.00 that have been outstanding for over one year.

Committee recommendations

The Committee recommends that –

The Committee reprimands the then accounting officer for failing to adhere to Section 53 (8) of the Public Procurement and Assets Disposal Act CAP.412C.

Financial Year 2017/2018

1. Property, Plant and Equipment

64. The Committee heard that, property, plant and equipment balance of Kshs. 391,757,448 as at 30th June 2018 disclosed in Note 18 to the financial statements excludes unknown value of seven parcels of land measuring 168.082 hectares for which the Centre has not obtained ownership documents as listed below:

Registration No.	Size	Location / User
L.R No. 22380/26	89.47 hectares	Veterinary Hqs. Kabete
L.R No. 23362	47.47 hectares	Artificial Insemination
L.R No. 2337515	22.65 hectares	Hayfield
L.R No. 23943	0.030. hectares	Borehole
L.R No. 26536	0.198 hectares	Staff houses
L.R. No. 22380	5.000 hectares	Veterinary Hayfield
L.R. No. 22387	3.264 hectares	Ahiti Kabete
Total	168.082 hectares	

65. Consequently, the legal ownership of the property without titles cannot be confirmed. In addition, without a valuation report on the aforementioned property and inclusion in the financial statement, the property, plant and equipment balance of Kshs. 391,757,448 as at 30th June 2018 is not under the circumstance fairly stated.

Management response

The management informed the Committee that;

- a) The matter is being handled by State Department of Livestock Development, the National Land Commission and Ministry of Lands
- b) Valuation to be done once the title deed is acquired.

Committee Observations

The Committee observed that–

66. The Committee had deliberated on the issue of Property, Plant and Equipment in its report for 2012/2013, observed and made recommendations thereon with respect to the centre’s Property, Plant and Equipment. The Committee upholds the observations and recommendations made thereon.

2. Receivables from Exchange Transactions

67. The Committee heard that, the Statement of financial position as at 30th June, 2018 reflects receivables from exchange transactions balance of Kshs.39, 612,847. The amount includes receivables from KAGRC Agents of Kshs.37, 612,874 out of which Kshs.8,175,188 relates to debts outstanding for over 120 days. Further, included in the above Kshs. 8,175,188 is an amount of Kshs.7,383,657 which has remained outstanding for over year. No specific provision has been made in the books for non-recovery of these long outstanding amounts.

68. In addition, the amount of Kshs. 39,612,847 includes receivables from KAGRC Agents who had exceeded their credit limits by Kshs. 11,205,625 and sales to agents without credit limits and or contracts amounting to Kshs. 15,434,519. No satisfactory reason has been given for failure by the Centre to observe the set credit limits. No specific provisions have been made in the books against non-recovery of these debts.
69. Consequently, the recoverability in full of the receivables from exchange transactions balance of Kshs. 39,612,847 is doubtful.

Management Response

70. The management informed the Committee that, outstanding debts were collected and a 10% provision for bad and doubtful debts on total debts was provided for in the financial statements.

Committee Observation

The Committee observed that—

- i) Receivable balance amounting to Kshs. 8,175,188 relates to debts that had been outstanding for over 120 days from KAGRC Agents.
- ii) Receivables amounting to 11,205,625 relates to Agents who had exceeded their credit limits. Further receivables amounting Kshs. 15,434,519 relates to agents without credit limits and or contracts
- iii) The Centre failed to incorporate in its financial statements a provision for bad and doubtful debts.

Committee Recommendation

The Committee recommends that—

- i) The Committee reprimands the then accounting officer for giving credit beyond the agreed credit limits and giving credit to Agents with no credit limits and contracts.
- ii) Within three months upon adoption of this report the accounting officer to furnish the Committee with the current status of Kshs. 11,205,625 relating to credits issued beyond credit limit and Kshs. 15,434,519 relating to credits given to agents without credit limits and or contract.

3. Payables

71. The Committee heard that, the statement of financial position reflects a balance of Kshs. 152,911,409 under trade and other payables from exchange transactions. As disclosed in Note 20 to the financial statement, the balance includes an amount of Kshs. 77,137,287 described as trade payables. Included in trade payables is an amount of Kshs. 9,877,529 that has been outstanding for over a year. No satisfactory reason has been given for failure by the Centre to settle the long outstanding amount.

Management response

72. The management informed the Committee that, the delay in payment of suppliers was due to insufficient budgetary allocation. Resources were allocated and creditors paid in the following year.

Committee Observation

The Committee observed that–

- i) The trade and payables amounting to Ksh. 9, 877,529 had been outstanding for over a year.
- ii) The Accounting officer was in breach of Section 53 (8) of the Public Procurement and Assets Disposal Act CAP. 412C which requires an accounting officer not to commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in the approved budget estimates.

Committee recommendations

The Committee recommends that–

The Committee reprimands the then accounting officer for failing to adhere to Section 53 (8) of the Public Procurement and Assets Disposal Act CAP.412C.

4. Biological Assets

73. The Committee heard that, the Statement of financial position as at 30th June, 2018 and disclosed in Note 19 to the financial statements reflects a balance of Kshs.9, 785,351 under biological assets. However, the balance does not include an amount of Kshs.1,058,000 disclosed in the assets register as biological assets related to trees. No satisfactory reason has been given for failure by the Centre to include the amount of Kshs. 1,058,000 in the statement of financial position. As a result, the completeness and accuracy of the balance of Kshs. 9,785,351 cannot be confirmed.

Management response.

74. The management informed the Committee that, trees were omitted because the Centre does not have ownership documents for all the parcels of land it currently occupies. Valuation of trees is the mandate of Kenya Forest Service and valuation is done upon submission of ownership documents.

Committee Observations

The Committee observed that –

The Committee observed that trees valued at Kshs 1,058,000 were excluded from the statement of financial position as at 30 June 2018 under biological assets contrary to IPSAS 27 which requires biological assets to be recognized at fair value. The accuracy of the financial statements prepared

by the Centre was doubtful and the Centre's asset management controls, tracking and reporting was weak.

Committee Recommendations

The Committee recommends that –

Within three months upon adoption of this report, the Principal Secretary, State Department for Livestock Development in conjunction with National Lands Commission to fast track the issue of KAGRC land. The Accounting Officer – KAGRC should value the biological assets and include the value in its Financial statements.

EXAMINATION OF THE AUDITOR GENERAL'S ON THE AUDITED ACCOUNTS OF MOI TEACHING AND REFERRAL HOSPITAL FOR FINANCIAL YEARS 2015/2016 AND 2016/2017

Dr. Wilson Aruasa (CEO- MTRH) accompanied by Mr. Thomas Ngetich (Director-Finance), Mr. Julius Oraro (Assistant Finance Manager), and Mr. Daniel Rotich (Assistant Finance Manager), appeared before the Committee to adduce evidence on the status of MTRH.

Financial Year 2015/2016

1.0 Property, Plant and Equipment

1.1 Land

75. The Committee heard that as reported in the previous year, included in the Property, Plant and Equipment balance of Kshs.1,843,754,507 as at 30 June 2016 is Uasin Gishu Memorial Hospital land valued at Kshs. 71,037,687. However, the ownership of Uasin Gishu Memorial Hospital land is subject to a Court case between the hospital and the former directors of the hospital.
76. Although the hospital management has explained that the Constitutional Court to which the case was referred to ruled in favour of Moi Teaching and Referral Hospital on 10th March 2010, the former directors appealed against the judgment and the matter has since been pending in the High Court for the last six years. Consequently, until the appeal is heard and determined, the ownership status of the land valued at Kshs.71,037,687 included in property, plant and equipment figure of Kshs. 1,843,754,507 as at 30 June 2016 could not be confirmed. Further, it has not been possible to confirm the extent of impairment of the value on the property, if any, due to the dispute.
77. Consequently, the accuracy and completeness of the property, plant and equipment balance of Kshs. 1,843,754,507 as at 30 June 2016 could not be confirmed.

Management response

78. The management informed the Committee that, MTRH has been in active pursuit of this matter evidenced by litigation correspondences between Hospital lawyers. The case is still pending in the

court of appeal and the hearing took place in December 2016. This has also been forwarded to National Land Commission (NLC) for appropriate determination.

Committee's Observations

The Committee observed that –

- i) The audit issue had been addressed in the 21st Public Investment Committee report where it was recommended that the hospital should expedite the hearing and conclusion of the Court case and to ensure that its assets are registered in the hospital's name.
- ii) The case is still pending in court of appeal and the issue had been forwarded to the National Land Commission for appropriate determination.
- iii) The ownership status of the land valued at Kshs. 71,037,687 cannot be established till the court case is concluded.

Committee's recommendations

The Committee recommends that –

79. Within three months upon the adoption of this report, the inspector general for the inspectorate of State corporations in collaboration with the Attorney General should compile a report of all the public lands with ownership disputes in various courts and submit to the National Assembly to be used as a basis of initiating inquiries on ownership status of the public lands and repossession where applicable.

1.2 Supply Delivery and installation of patient monitors

80. The Committee heard that, Property, Plant and Equipment balance of Kshs. 1,843,754,507 as at 30th June, 2016 includes an amount of Kshs. 17,600,000 in respect of acquisition of eight (8) patient monitors. An order of eight (8) patient monitors was issued on 23rd July, 2015 through L.P.O. No. 09854. The monitors were delivered and installed on 31st October, 2015 and full payments done on 2 June 2016 vide cheque No.029511 and 029153. However, information available indicates that the monitors were not procured through open tender and no valid contract signed between the hospital and the supplier was availed for audit verification.
81. Although management has explained that the patient monitors were procured under a framework contract with the supplier, a review of the contract signed on 20th June, 2014 indicates that the contract was for supply of two (2) patient monitors and the duration of the contract was two (2) weeks.
82. Under the circumstances, the procurement of the eight monitors was irregular and therefore the propriety of the Expenditure totalling Kshs.17,600,000 could not be confirmed for the year ended 30th June, 2016.

Management response

83. The management informed the Committee that LPO No. 09854 for 8 Patient Monitors was issued on the basis of tender award of 19th August, 2014 which was on As-and-When-Required (AWR) basis because the item is always required in the Hospital and the tender was applicable during the framework contract period. This reduces on the time and cost of sourcing. It is to be noted that there was urgent need for eight patient monitors for Post Anesthesia Care unit as requested by the user, and the initial supplier contracted in 2014 was contacted to supply and was willing to supply at same price.

Committee Observations

The Committee observed that –

- i) The monitors were not procured through open tender contrary to the requirements of Article 227 of the Constitution, which states that when a state organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that fair, equitable, transparent competitive and cost effective and Section 91 (1) of the Public Procurement and assets Disposal Act 2015 CAP 412C which requires open tendering shall be the preferred procurement method for procurement of goods, works and services
- ii) The Hospital did not provide a valid contract agreement signed between it and the supplier for audit verification.
- iii) There was no justification to circumvent procurement law and the conditions prescribed for using procurement methods other than the preferred open tender were not fulfilled. It was not demonstrated why the hospital did not procedurally renew the contract.

Committee's Recommendations

The Committee recommends that –

The Committee reprimands the then Accounting Officer for breach of Article 227 of the Constitution and Section 91 (1) of the Public Procurement and assets Disposal Act 2015 CAP 412C.

1.3 Irregular procurement of 16 slice CT scan

84. The Committee heard that, hospital tender committee sitting on 5th June, 2015 awarded a tender for the supply, delivery, and installation and commissioning of sixteen (16) slice CT scan to a medical equipment supplier at a sum of Kshs.52,890,000.
85. However, citing lack of funds, the management on 12th October 2015 rescinded the decision by the tender committee and resorted to a hire purchase arrangement with the supplier at a cost of Kshs.64,742,649. Available information indicate that although the contract for the supply of the equipment was signed on 25th June 2015, Treasury approval for use of hire purchase method was requested on 7th September 2015 and granted on 30th September, 2015 meaning that the request for approval to use hire purchase method was sought and granted long after the contract was signed.

86. Further, the hospital management did not avail for audit review a certificate of installation and commissioning of the CT scan equipment. No explanations have been provided for these anomalies.

Management response

87. The management informed the Committee that, CT-Scan is technical medical equipment imported and sold by few selected medical equipment dealers pre-authorized by the manufacturer. The hospital invited bids from all dealers of CT Scan Machines.
88. The Hospital Tender Committee in its Meeting No. 18/2014-2015 (Minute No. 2 c) held on 5th June 2015 awarded the contract to Meditech Systems at Kshs. 64,742,649 after considering the available financing options.
89. There were no other cheaper financing options at hand as the only options considered were outright purchase or hire purchase. Since the Hospital had limited funds, it opted for hire purchase option so that repayments are made out of income generated from the CT Scan Machine. This therefore informed the decision to seek approval from the National Treasury which was granted as per letter dated 30/09/2015. The CT-scan was planned and budgeted during the 2015/16 FY.
90. The Machine was delivered on 12th July 2016, successfully installed and is in use. The commissioning was delayed to allow installation of extended work stations which is now complete and awaiting commissioning.

Committee's Observations

The Committee observed that–

- i) The procurement of 16 slice CT scan was to cost Kshs.52,890,000. However, the management, by rescinding the decision by the tender committee and resorting to a hire purchase arrangement, incurred Kshs.64,742,649, resulting in to an extra cost of Kshs. 11,852649.
- ii) The Accounting officer was in breach of Section 53 (8) of the Public Procurement and Assets Disposal Act CAP. 412C which prohibits commencement of any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in the approved budget estimates.
- iii) The contract for the supply of the equipment was signed on 25th June 2015, while the Treasury approval for use of hire purchase method was requested on 7th September 2015 and granted on 30th September, 2015 meaning that the request for approval to use hire purchase method was sought and granted long after the contract was signed.

Committee recommendations

The Committee recommends that –

- i) Within three months upon adoption of this report, the Inspector General, Inspectorate of State Corporations should investigate and where applicable surcharge the then accounting officer

the extra cost incurred on the procurement of the slice CT Scan and provide documentary evidence on the recovery/surcharge to the National Assembly.

- ii) The Committee reprimands the then accounting officer for failing to adhere to Section 53 (8) of the Public Procurement and Assets Disposal Act CAP.412C.

1.4 Procurement of computers and computer accessories

- 91. The Committee heard that, During the year under review, the hospital procured computers and computer accessories totaling Kshs.12,863,358 from a supplier. The advertisement for the supplies indicated that the procurement was under two-year framework contracting arrangement from 1st July, 2014 to 30th June, 2016. However, a review of the procurement records indicate that the tender document did not specify the period of the contract and the total minimum and maximum quantity as required by Public Procurement and Oversight Authority circularNo.6/2010 of 18th June, 2010. Further, no reason was provided for using framework contract in procurement of computers and computer accessories whose quantity is definite. In addition, the contract agreement signed between the hospital and the supplier was not availed for audit review.
- 92. Consequently, the propriety of the expenditure totalling Kshs.12,863,358 incurred on purchase of computers and computer accessories could not be confirmed for the year ended 30th June, 2016.

Management response

- 93. The management informed the Committee that, procurement is as per open tender and As-and-When-Required basis for the framework contract period of two years (2014-2016 FY) as provided for in the guideline for framework contract.

Committee's Observations

The Committee observed that –

- i) The management was in breach of Public Procurement and Oversight Authority circular No.6/2010 of 18th June 2010 which requires the tender to specify the contract period and total minimum and maximum quantities required.
- ii) The hospital was exposed to the risk of manipulation of expenditures related to the acquisition of computers and computer accessories where the period of the contract and the total minimum and maximum quantity in procurement under the two-year framework contracting were not specified.
- iii) MTRH irregularly used framework contracting while procuring computers and computer accessories given that the quantities were definite and known.
- iv) The Hospital did provide signed contract agreement between them and the Supplier.

Committee's recommendations

The Committee recommends that–

The Committee reprimands the then Accounting Officer for not adhering to the requirements of the Public Procurement and Oversight Authority circular No.6/2010 of 18th June, 2010.

2.0 Project Cost

2.1 Integrated Hospital Management Information System

94. The Committee heard that, Project cost balance of Kshs.30,712,238 as at 30th June, 2017 as disclosed at note 3 to the financial statements includes a balance of Kshs.15,902,531 being payments made to a supplier in respect of procurement of Integrated Hospital Management Information System (HMIS) software. A review of documents relating to the procurement revealed that although the supplier was paid a total of Kshs.15,902,631 equivalent to 80% of the total contract sum, management did not avail certificates of work done and commissioning and handing over report of the system in support of the payments.

Management response

95. The management informed the Committee that, all payments done were based on Certificates of work done (Interim certificates). Detailed implementation status report is attached on functionality of implemented modules. The Hospital is working with the Vendor to Ensure full implementation of all the outstanding modules to enable Commissioning.

Committee's observations

The Committee observed that –

Although the supplier was paid a total of Kshs.15,902,631 equivalent to 80% of the total contract sum, management did not avail certificates of work done and handing over report of the system in support of the payments. The project is yet to be commissioned.

Committee's recommendations

The Committee recommends that –

- i) Within three months upon adoption of this report, the Accounting Officer to expedite full implementation of the outstanding modules for commissioning and report to the National Assembly.
- ii) The Accounting Officer should always ensure that all payments for works are based on certificates of completion.

3.0 Trade and Other Receivables

3.1 Corporate Client Debtors

96. The Committee heard that, as previously reported, included in the trade and other receivables balances of Kshs.1,141,420,922 as at 30th June, 2016 is corporate client debtors of Kshs.496,181,806 as disclosed in Note 7.2 to the financial statement out of which Kshs.184,252,397 relates to 2014/2015 and prior years. Although the management has demonstrated some efforts made at debt recovery, however not much has been achieved.
97. Consequently, the recoverability of corporate debts could not be confirmed.

Management response

98. The Management informed the Committee that, the Hospital has put a lot of efforts to recover its debts through various mechanisms, Demand letters written to corporate clients, Debt collection visits, reconciliations and sending monthly statements to corporate clients, Debt Management Policy (Credit Policy) is in place.

3.2 Individual Client Debtors

99. The Committee heard that, the Trade and Other Receivables balance of Kshs.1, 141,420,922 also includes individual client debtors' balance of Kshs.494, 355,041. As previously reported the debts were secured with ID cards, commitment letters and title deeds and out of which an amount of Kshs.424, 274,901 related to the years 2002 to 2010. Since these debts were secured with very weak collateral, the possibility of their collectability appears remote. Delay in collection of these debts may affect the cash flow position and adversely affects the operations of the hospital. In the circumstance, recoverability of these long outstanding debts is doubtful and as a result it has not been possible to ascertain if the trade and other receivable balance of Kshs.1, 141,420,922 is fairly stated.

Management response

100. The management informed the Committee the hospital has put in place various mechanisms to recover individual debtors which include; Setting up a Credit Control and Evaluation Committee to evaluate those very needy cases, IDs as collateral is no longer accepted. Outreach programmes to sensitize the public on the benefits of NHIF cover and encourage NHIF enrolment (Done jointly by MTRH and NHIF), Request National government to pay for the poor (street families, orphans, elderly), Waiver facility to avoid unrecoverable debts.

N/B The Hospital serves the general public where disease burden is high and from poor economic background (areas of western Kenya, North Rift (Pokot, Turkana, Baringo etc). Medical care is a constitutional right to every citizen to patients regardless of their ability to pay hence the government commitment that public hospitals offer services

3.2 Medical Service Providers Debtors

101. The Committee heard that, as reported in the previous year, the debtors balance of Kshs.1,141,420,922 include amounts owed by two medical service providers amounting to Kshs.20,138,821 and Kshs.68,778,269 respectively in respect of the contractual arrangements entered into with the hospital to provide medical care to employees of the hospital. The claims have been outstanding long after contracts with the service providers availed for audit review, it

was evident that the amounts owed were contested by the firms and therefore the recoverability of the balance of trade and other receivables of Kshs. 88,917,090 could not be confirmed.

Management response

102. The management informed the committee that the Hospital as initiated aggressive recovery of debt from the medical providers through legal action. Attached please find the correspondence between MTRH and its lawyers.

Committee's Observations

- i) The Committee observed that in the 21st PIC Report the following recommendations were made;
 - a) The CEO and the Finance Manager ensure that the Hospital makes aggressive follow-up to collect all recoverable debts both corporate and individual to enhance financial growth and cash flow for the Hospital to meet its commitments and provide continuous service delivery.
 - b) The CEO and the Finance Manager should undertake an analysis of all debts and reviews the current policies governing management of debts to establish areas of weaknesses, recommend a prudent debt management system, debt restructuring and to seek Board approval to write-off unrecoverable debts.
 - c) The CEO ensures that the credit policy is stringently enforced to minimize exposure to bad debts; and
 - d) The Hospital should maintain an acceptable level of risk by vetting clients' applications for credit and review credit worthiness of new and existing clients.
- ii) Though the issues on trade and other receivables relating to Corporate Clients' debtors, individual clients' debtors, and medical service providers debtors had been addressed in the 21st PICs and recommendations, its reoccurrence implies that the recommendations therein have not been implemented.

Committee's recommendations

The Committee recommends that –

- i) The Committee upholds the observations and recommendations made in the 21st PIC Report.
- ii) Within three months upon adoption of this report, the Accounting Officer to submit to the National Assembly status report on the implementation of the 21st PIC's Report recommendations.

4.0 Trade payables

4.1 Long Outstanding Payables

103. The Committee heard that, included in the Trade and Other Payables balance of Ksh.373,197,990 as at 30th June, 2016 is payables amounting to Kshs.41,725,941 which have been outstanding for over one year. Although the management has explained that lack of proper documentation from the firms has contributed to delay in settling the claims no evidence has been provided to show measures being taken to resolve this issue. As a result, the validity, accuracy and completeness of the figure for trade and other payables of Kshs.373, 197,990 as at 30th June, 2016 could not be confirmed.

Management response

104. The management informed the Committee that, Ksh.41,725,941.56 still outstanding in the accounts is as a result of a lack of documentation for creditors over a long period of time. The Hospital is working with the suppliers on reconciliation to establish their true status and arrange settlement where supported or write-offs where no proof is established. A substantial amount has been cleared.
105. MTRH embarked on RRI during the 2015/2016 F/Y to reduce long outstanding trade and other payables, the initiative was successfully implemented and suppliers started honoring all LPOs/LSOs resulting to increase in trade payables and reduction in use of Imprest. This demonstrates the commitment management has on paying its suppliers.

Committee's observations

- i) The Committee noted that payables amounting to Kshs.41, 725,941 had been outstanding for over one year on account of lack of documentation for creditors.
- ii) The management claim that the delay is due to lack of documentation was not supported by any documentary evidence.
- iii) The delay in settlement of the payables exposes the hospital to the risk of incurring additional costs related to interest, penalties and litigation.
- iv) The Hospital has taken too long to conclude reconciliation with its supplier to facilitate the settlement of the payables.

Committee's recommendations

The Committee recommends that–

The Accounting Officer should fast-track the reconciliation with the suppliers with the view of settling the outstanding payables

4.2 Unremitted Payroll Deductions

106. The Committee heard that, Note 8.5 to the financial statements reflect Kshs.462,947,925 in respect of payroll deductions which include an amount of Kshs.112,102,532 deducted from payroll between May and prior months that had not been remitted to the respective entities. No explanation was provided for non-remittance of these deductions as required by section 19 (4) of Employment

Act 2007. The hospital management is therefore in breach of the law and the failure to remit these deductions may attract penalties.

Management response

107. The management informed the Committee that, this resulted from under-funding and late Exchequer release from the National Treasury, despite various appeals from the Hospital management for additional funding. This has since been remitted.

Committee's observations

The Committee observed that –

The management failed to remit Kshs.112, 102,532 deducted from payroll contrary to section 19 (4) of Employment Act 2007. The hospital risked paying fines and penalties for the delay in remitting the payroll deductions which could be avoided.

Committee's recommendations

The Committee recommends that –

The Committee reprimands the then Accounting Officer for having not remitted payroll deductions. Subsequently, the management should always ensure that payroll deductions are remitted in time to respective entities.

5.0 Operational Cost

108. The Committee heard that, Included in the Operational Costs of Kshs.492,631,031 as at 30th June, 2016 as disclosed in note 6.3 to the financial statements is an amount of Kshs.29,582,330 paid out in form of imprests to staff for the purpose of procurement of goods for maintenance of buildings, plant and computerization expenses. However, no approved work plans were provided for audit review to confirm the nature of the works that were undertaken and their cost estimates. Further the tender committee approvals, quotations and evaluation minutes were also not provided for audit review. In addition, there was no evidence provided to confirm that the goods and services paid for were received as no inspection and acceptance reports were availed for audit verification.
109. Consequently, the propriety of the expenditure of Kshs 29,582,330.00 as at 30th June, 2016 could not be confirmed.

Management response

110. The management informed the Committee that, during the year under review, purchases through imprest amounting to Kshs 29,582,330.00 relates to expenditure on maintenance of building, plant and computerization. Due to old infrastructures in place, ageing machines and equipment and in view of the nature of our operations, some items necessitate urgent purchases.

111. However this has since changed and management has put in place measures to improve supplies and pay suppliers on time. records have been availed on all the documentation relating to these purchases.

Committee's observations

The Committee observed that –

- i) There were no approved work plans to confirm the nature of the works that were undertaken and their cost estimates. Further, there were no procurement records inform of tender committee approvals, quotations, evaluation minutes and inspection and acceptance reports and therefore the propriety of the expenditure was not confirmed.
- ii) The claim that old infrastructures, aging machines and equipment in place then, necessitated urgent purchases was not a sufficient reason breach of the procurement procedures set out in Section 103 of the Public Procurement and Asset Disposal Ac, 2015 CAP 412C on direct procurement.

Committee's recommendations

The Committee recommends that –

- i) Within three months upon adoption of this report, EACC should investigate the officers who were issued with imprest amounting to Kshs.29,582,330 for the purpose of procurement of goods for maintenance of buildings, plant and computerization expenses. If any officer is found culpable, he/she should be held personally liable for the loss, DPP should initiate a legal process to recover the amount so lost from the concerned officer (s) at the prevailing CBK rates.
- ii) The Committee reprimands the then Accounting Officer for breach of the procurement procedures set out in Section 103 of the Public Procurement and Asset Disposal Ac, 2015 CAP 412C on direct procurement.

6.0 Irregular Payment of Allowances

112. The Committee heard that, Included in personal emoluments figure of Kshs. 4,387,265,162 for the year ended 30th June 2016 as disclosed in note 6.1 to the financial statements is allowances of Kshs.65, 443,838 paid to officers of the Hospital. However, these allowances were not included in the approved list of Salaries and Remuneration Commission (SRC). Although management has explained that the payment of these allowances was approved by the Board in 2002, it has not indicated action taken to have the same regularised by the Salaries and Remuneration Commission (SRC). The expenditure of Kshs 65,443,838.00 is therefore irregular.

Management response

113. The management informed the Committee that, payment of allowances to officers had been approved by the Board of Management in the year 2002 long before the coming in place of Salaries and Remuneration Commission (SRC). The Hospital Management is seeking concurrence of the SRC in line with current requirements.

Committee's observations

The Committee observed that –

- i) The payment of allowances amounting to Kshs.65, 443,838 paid to employees was contrary to requirement the Salaries and Remuneration Commission Act, CAP 412 D.
- ii) The expenditure of Kshs.65, 443,838 in respect of allowance paid to officers was incurred without budget contrary to Section 12 of the State Corporations Act, 2015 which provides that no corporation shall without the prior approval in writing of the Minister and the Treasury incur any expenditure for which provision has not been made in annual estimates.

Committee Recommendations

The Committee recommends that –

- i) Within three months upon adoption of this report, the Inspector General, Inspectorate of State Corporations should investigate and where applicable surcharge the then accounting officer for the irregular payment of allowances amounting of Kshs.65, 443,838 and provide documentary evidence on the recovery/surcharge to the National Assembly.
- ii) The Committee reprimands the then Accounting Office for failing to adhere to the provisions of section 12 of the State Corporations Act Corporations Act, 2015.

1.0 OTHER MATTERS

1.1 Officer Earning less than a third basic Pay

114. The Committee heard that, During the year ended 30th June, 2016, four hundred and fourteen (414) officers of the hospital earned net salaries of less than a third of their respective basic salaries for between six and twelve months contrary to Section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding any written law, the total amount of all deductions which under the provisions of Section (1), may be made by an employer from the wages of his employee at any time shall not exceed two thirds of such wages or such additional or other amounts as may be prescribed by the minister either generally or in relation to a specified employer or employee of class of employers or employees or any trade or industry. The hospital management is therefore in breach of employment Act, 2007.

Management response

115. The management informed the Committee that, this has since been rectified and measures put in place to ensure compliance. Sensitization of staff on compliance to 1/3 rule has been carried out. Attached is a staff Circular to that effect.

Committee's observations

The Committee observed that –

The then accounting officer was in breach of Section 19(3) of the Employment Act, 2007 which requires that the total deductions from an employee wages shall not exceed two thirds of basic salary.

Committee Recommendations

The Committee recommends that –

The Accounting Officer should always ensure that the provisions of Section 19(3) of the Employment Act 2007 are adhered to.

1.2 Ethnic Composition of Staff

116. The Committee heard that a review of personnel records availed for audit revealed that as at 30 June 2016 the hospital had 12 members of management, 6 senior management staff and 3,104 other permanent and pensionable staff. It is apparent from the above analysis that one dominant community comprised 69% of the total workforce of other permanent and pensionable staff contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act 2008 which requires that all public establishments shall seek to represent the diversity of the people of Kenya in employment of staff. Further, no public establishment shall have more than one third (1/3) of its staff establishment from the same ethnic community. The management of the hospital is therefore in breach of the law.

Management response

117. The management informed the committee that, the senior levels are sourced competitively and the Hospital has therefore adhered to the stipulated NCIA, 2008 rule. Technical staff in the Job Group M12 to M2 has diverse ethnic groupings which comply with the requirements of NCIA 2008 Rule.
118. Lower carders M13 to M17 attracts from within the neighbouring Counties and its due to low remunerative package hence only attracting the local community. Management is progressively working to adhere to the stipulated NCIA, 2008 rule in new recruitments and replacement of staff.

Committee's observations –

The Committee observed that –

The total workforce of permanent and pensionable staff of the hospital comprised of one dominant community representing 69% Contrary to Section 7 (1) and (2) of the National and Cohesion and Integration Act 2008.

Committee's recommendations

The Committee recommends that –

The Accounting Officer should always ensure that the provisions of Section 7 (1) and (2) of the National and Cohesion and Integration Act 2008 are adhered to.

2.0 Budget Performance

119. The Committee heard that, the hospital had an approved revised expenditure budget of Kshs.6,526,596,813 against actual expenditure of Kshs. 6,415,904,669 (98%), resulting in under expenditure of Kshs. 110,692,144 or 2%. However, expenditure in some votes exceeded their allocation of Kshs. 341,777,683 by Kshs. 65,396,936 or 19% .
120. Further, there was underutilization of approved expenditure of Kshs.405,966,258 against actual expenditure of kshs.280,454,149 by kshs.125,512,109 .
121. Consequently funds not utilized is an indication of approved programs not implemented, which implies that the intended objective of improving delivery of service to the clients was not fully achieved.

Management response

122. The management informed the Committee that, during the year under review there was approved revised expenditure budget of Kshs 6,526,813.00 as evidenced by Board approval availed.

Committee's observations

The Committee observed that –

- i) The underutilization by Kshs.125, 512,109 derailed the realization of the planned activities and public service delivery. The hospital based its projections of revenue and expenditure on weak assumptions and hence substantially missed the budgetary targets.
- ii) The then Accounting Officer was in breach of Section 43(2) of the Public Finance Management Act, CAP 412A which prohibits a state corporation, from reallocating funds between programs, or between Sub-Votes in the budget for a financial year.

Committee Recommendations

The Committee recommends that –

The Accounting Officer should ensure at all times that the budgets are realistic, achievable and always adhere to annual work plans, procurement plans and revenue collection schedules in compliance with Regulation 44(2) of the PFM (National Government) Regulations, 2015. Further, the Committee reprimands the then Accounting Officer for breach of Section 43(2) of the PFM Act.CAP412A.

Financial Year 2016/2017

1.0 Property Plant and Equipment

1.1 Land

123. The Committee heard that, as reported previously, included in the property, plant and equipment balance of Kshs. 1,944, 023,040 as at 30 June 2017 is Usain Gishu Memorial hospital land valued at Kshs. 71,037,687. However, the ownership of Usain Gishu Memorial Hospital land is subject to a court case between the hospital and the former directors of the hospital. Although the hospital management has explained that the Constitutional Court to which the case was referred ruled in favour of Moi Teaching and Referral Hospital on 10th March 2010, the former directors appealed against the judgement and the matter has since been pending in the High court for the last six years. Consequently, until the appeal is heard and determined, the ownership status of the land valued at Kshs. 71,037,040 as at 30 June 2017 could not be confirmed.

Management response

124. The management informed the Committee that MTRH has been in active pursuit of this matter, evidenced by litigation correspondences between Hospital lawyers. The case is still pending in the court of appeal and the hearing took place in December 2016. This has also been forwarded to the National Land Commission (NLC) for appropriate determination.

Committee's observations and recommendations

The Committee had deliberated on the issue of the ownership of Usain Gishu Memorial Hospital land in its report for the FY 2015/2016, observed and made recommendations thereon with respect to the land. Consequently, the Committee upholds the observations and recommendations made thereon.

1.2 Encroachment of Land

125. The Committee heard that available records indicated that the original plan for the hospital land referenced as F/RNo. 176/12 was revised in 2004. The revised plan of 2004 was referenced as F/R No.430/188 and indicated that the approximate area of the hospital land was 29.67 hectares. The revision of the original plan culminated in the production of the Partial Development plan (PDP) of reference number, ELD 17//2001/3A (534 and 535), F/R No. 166/149 (180 and 192) and of F/R No. 166/62 in the revised plan for 2004.
126. Further, inspection of the land revealed that, there are permanent structures built on the encroached land indicated above, two (2) government institutions are built inside the hospital land, part of the main building of the hospital and new KMTC building are constructed on a road reserve. In addition, management did not avail documentary evidence indicating existing arrangements between the two government institutions and efforts made to reclaim the encroached land. In the circumstances, it was not possible to confirm the accuracy and completeness of the figure for land indicated in the financial statements.

Management response

127. The management informed the Committee that, the Hospital has written to the National Land Commission on the issue. In 2017, the Hospital did a search for its land property, it came to the attention of management that Family Care owns a title deed for the area they currently occupy which is inside the boundary of MTRH. Immediately, the management wrote to National Land Commission (NLC) on 28th March, 2017 to investigate the legality of the said Title Deed and made its presentation to NLC during a Public Hearing on 30th and 31st March, 2017 at Uasin Gishu County Hall. The Public Hearing was called by NLC to review Grants and Disposition of Public Land in Uasin Gishu County.

128. The NLC is handling these two matters and its determination will inform the way forward. The true land value of MTRH land will then be determined after the conclusion of these issues.

Further Inquiry by the Committee with Family Care Hospital

129. The Committee invited the management of Family Care Hospital (FCH) to adduce more evidence on the ownership of the land on which FCH sits on. Mr. Edward Marienga (Executive Director) appeared before the Committee accompanied by Mr. Eliud Onyango (Chairperson), Mr. Gideon Kibet (Vice Chairperson), and Ms. Mary Marugi (Treasurer). However, the committee noted with concern that responses submitted were not signed, had no letterhead and the annexures attached did not address the issues requested by the Committee. It was therefore deemed inadequate and the committee resolved that the management of the Family Care Medical Centre should resubmit written and admissible evidence to the Committee in respect to the agreement between them and Moi Teaching and Referral Hospital on the disputed land and the allotment letters by the Municipal council then. The request was not honoured.

Committee's observations

The Committee observed that –

The National Land Commission has not concluded on the legality of the occupation of the hospital land by Family Care Medical Centre. It is, therefore, not clear how the Family Care Medical Centre acquired the title deed for the land inside the boundary of the MTRH.

Committee's recommendations

The Committee recommends that –

Within three months upon adoption of this report, the National Land Commission (NLC) to expedite the conclusion of the ownership of the disputed land and submit its report to the National Assembly.

1.3 Irregular Procurement of a sixty-four (64) Slice CT-Scan machine

130. The Committee heard that, the hospital awarded a tender in dollars (USD) on 29th March, 2017 to a supplier of medical equipment for the supply, delivery, installation and commissioning of a sixty

four (64) slice CT scan machine at a cost of Kshs.58,582,157.50 (USD 570,386.35). The award of the tender was subject to a trade in of an old two (2) slice CT scan machine valued USD 85,000 (Kshs. 8,730,018.50).

131. The cost price of the new equipment was to be settled in instalments at the exchange rate of Kshs.102.7061 to the equivalent of USD. Consequently, the supplier was paid Kshs. 11, 079, 934.07, being 20% of the cost price as a down payment vide payment voucher number 110889. Available information indicated that, the contract sum of the equipment was Kshs. 55,399,670.34 (USD 53,594.00). Although management issued the local purchase order with a value of more than the contract sum by Kshs.3,182,487.16 (USD 30,986.35).
132. Further, the equipment was purchased using the direct procurement method and it was not included in the procurement plan contrary with section 91(1) and (3) and section 53(2) of the Public Procurement and Asset Disposal Act, 2015 which states that, open tendering shall be preferred procurement method for procurement of goods, works and services and shall be adopted for procurement of goods, works and services for the threshold prescribed in the respective national and county Regulations and an accounting officer shall prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process.
133. In addition, a valuation report of a technical expert for the CT scan machine which was traded in indicated a value of USD100, 286.15 (Kshs. 10,300,000) while contract documents indicated a value of USD 85,000 (Kshs. 8,730,018.50) No. explanation has been given on how the value of USD 85,000 (Kshs. 8,730, 018.50) for the trade in machine was arrived at. The unexplained difference of USD 15,286.15 (Kshs. 1,569, 981.50) in contrary to section 164(3) of the Public Procurement and Asset Disposal Act, 2015. The act provides that, there shall be a technical report by a relevant Expert of the subject item for disposal which takes into account the real market price and the expert shall set up the reserve price which shall be minimum acceptable price.
134. In the circumstances, it was not possible to confirm the validity of the amount expended on the item and if the hospital got value for money in the whole transaction.

Management Response

135. The Management informed the Committee that, the cost of 64 Slice Ct-Scan is Kshs 56,100,000.00 (USD 550,000.00), VAT of Kshs 7,588,800.00 (VAT is calculated net of trade-in value) and Finance cost incurred to finance in the procurement is Kshs 3,160,612.80 (USD 30,986.40) (the interest on financing was arrived at 6%) making the real assets value to be Kshs 66,849,412.80. Cost of CT-Scan KSh 66,849,412.80, Trade-in Value 8,670,000.00. Advance Payment of KSh 11,003,760.00 Net Amount Payable KSh 47, 175,652.80 The Hospital acquired a 64 slice CT scan in compliance with Section 165 of the Public Procurement and Asset Disposal Act, 2015 allows the procuring entity to dispose off unserviceable or obsolescent equipment through disposal proceedings and Trade-in as a method of disposal (Section 165 (d) of PPDA 2015).
136. Conditions of Section 103 (2) (d) of the PPDA was complied with given that Philips Medicals Systems as the manufacturer of the 2 Slice Philips CT Scan for reasons of Standardization and

compatibility of technology, it was only possible to trade-in with the same manufacturer. This item is captured under the annual disposal plan for FY 2016/17.

Valuation Report

137. The disposal committee used the valuation report as basis for disposing the 2 Slice CT-Scan as per the attached minutes.

Committee's observations

The Committee observed that –

- i) The management issued the local purchase order with value of more than the contract sum by Kshs.3,182,487.16 (USD 30,986.35) which led to an overpayment and loss of public funds.
- ii) The management did not include the procurement of the equipment in the procurement plan and used direct procurement method contrary to sections 91(1) and (3) and section 53(2) of the Public procurement and asset Disposal act, 2015 respectively.
- iii) The valuation report of a technical expert for the CT scan machine indicated a value of USD100, 286.15 (Kshs. 10,300,000) while contract documents indicated a value of USD 85,000 (Kshs. 8,730,018.50) resulting in to unexplained difference of USD 15,286.15 (Kshs. 1,569, 981.50). This contravenes the provisions of section 164(3) of the Public Procurement and Asset Disposal Act, 2015.

The management response did not address the audit query

Committee's recommendations

The Committee recommends that –

Within three months upon adoption of this report, EACC should investigate whether the provisions of the Public Procurement and Asset Disposal Act, 2015 with respect to trade-in of the old CT Scan Machine and the acquisition of the sixty-four (64) Slice CT-Scan machine were complied with and whether there were improprieties in the process. If any officer is found culpable, he/she should be held personally liable for the loss, DPP should initiate a legal process to recover the amount so lost from the concerned officer (s) at the prevailing CBK rates.

2.0 Trade and other receivables

2.1 Corporate Clients Debtors

138. The Committee heard that, as previously reported included in trade and other receivables balance of Kshs. 1,203,587,207 as at 30 June 2017 is corporate client debtors of Kshs. 442,819,969 As

disclosed in note 7.2 to the financial statements out of which Kshs. 184,252,397 relates 2014/2015 and prior years. Although management had demonstrated some efforts made at debt recovery, not much had been achieved.

Consequently, the recoverability of corporate debts could not be confirmed as at 30 June 2017.

Management Response

139. The management informed the Committee that, the Hospital has put a lot of efforts to recover its debts through various mechanism, Demand letters written to corporate clients, Debt collection visits, Reconciliations and sending monthly statements to corporate clients and Debt Management Policy (Credit Policy) is now place.

Committee's observations

The Committee had deliberated on the issue under trade and other receivables in its report for the FY 2015/2016, observed and made recommendations thereon with respect to the corporate clients' debtors. Consequently, the Committee upholds the observations and recommendations made thereon.

2.2 Individual Clients Debtors

140. The Committee heard that, the trade and other receivables balance of Kshs.1, 203,587,207 also include individual Client debtor's balance of Kshs. 514,908,397. As reported, the debts were secured with identity cards, commitment letters and title deeds out of which an amount of Kshs .424, 274,901 related to the years 2002 to 2010. Since these debts were secured with very weak collateral, the possibility of their collectability appears remote. Delay in collection of these debts may affect the cash flow position of the hospital and adversely affect its operations. In the circumstances, recoverability of these long outstanding debts is doubtful and as a result it has not been possible to ascertain if the reported figure for trade and other receivables balance of Kshs. 1,203,587,207.00 was fairly stated as at 30th June 2017.

Management Response

141. The management informed the Committee that, the Hospital has put in place various mechanisms to recover individual debtors which include; evaluate those very needy cases And IDs as a collateral is no longer accepted, Outreach programmes to sensitize the public on the benefits of NHIF cover and encourage NHIF enrolment (Done jointly by MTRH and NHIF),Request National government to pay for the poor (street families, orphans, elderly) and Waiver facility to avoid unrecoverable debts.
142. The Hospital serves the general public where disease burden is high and from poor economic background (areas of western Kenya, North Rift (Pokot, Turkana, Baringo etc). Medical care is a constitutional right to every citizen; hence the government commitment that public hospitals offer services to patients regardless of their ability to pay.

Committee's observations and Committee's recommendations

The Committee had deliberated on the issue under trade and other receivables in its report for the FY 2015/2016, observed and made recommendations thereon with respect to the individual clients' debtors. Consequently, the Committee upholds the observations and recommendations made thereon.

2.3 Medical Service Providers Debtors

143. The Committee heard that, as reported in the previous year, the debtor's balance of Kshs. 1,203,587,207.00 includes amounts owed by two medical services providers amounting to Kshs. 20,138,821.00 and Kshs. 68,778,269 respectively. The debts were in respect of contractual arrangements Entered into with the hospital to provide medical care to employees of the hospital. However, the claims have been outstanding long after contracts with the two firms were terminated. From the correspondences with the service providers availed for audit review, it is evident that the amounts owed were contested by the firms and therefore the Recoverability of the balance of trade and other receivables of Kshs. 88,917,090 could not be confirmed as at 30 June 2017.

Management response

144. The management informed the Committee that, the Hospital as initiated aggressive recovery of debt from the medical providers through legal action. Attached please find the correspondences between MTRH and its lawyers.

Committee's Observations

The Committee observed that in the 21st PIC's Report, the following recommendations were made;

- i) The CEO and the Finance Manager ensures that the Hospital makes aggressive follow-up to collect all recoverable debts both corporate and individual to enhance financial growth and cash flow for the Hospital to meet its commitments and provide continuous service delivery.
- ii) The CEO and the Finance Manager should undertake an analysis of all debts and reviews the current policies governing management of debts to establish areas of weaknesses, recommend a prudent debt management system, debt restructuring and to seek Board approval to write-off unrecoverable debts.
- iii) The CEO ensures that the credit policy is stringently enforced to minimize exposure to bad debts; and
- iv) The Hospital should maintain an acceptable level of risk by vetting clients' applications for credit and review credit worthiness of new and existing clients.
- v) Though the issues on trade and other receivables relating to Corporate Clients debtors, individual clients' debtors and medical service providers debtors had been addressed in the 21st PICs and recommendations, its reoccurrence implies that the recommendations therein have not been implemented.

Committee's recommendations

- i) The Committee upholds the observations and recommendations made in the 21st PIC Report.
- ii) Within three months upon adoption of this report, the Accounting Officer to submit to the National Assembly status report on the implementation of the 21st PIC's Report recommendations.

2.4 Outstanding Temporary Imprest

145. The Committee heard that, included in trade and other receivables figure of kshs. 1,208,207.00 reflected in the Financial statements is outstanding imprest of Kshs. 14,406,568 which had not been surrendered by 30 June 2017 contrary with section 93 (5) of the public Finance Management Regulations, 2015 which states that a holder of temporary Imprest shall account of surrender the imprest within 7 working days after returning to Duty station.
146. Although management explained that the bulky of these imprest relate to staff on long training period, imprest warrants and register pertaining to the outstanding imprest were not availed for audit verification. As a result, the accuracy and propriety of the outstanding imprest of Kshs. 14,406,568 could not be confirmed.

Management response

147. The management informed the Committee that, the Hospital Management complies Public Finance Management Regulations, 2015 which states that a holder of temporary Imprest shall account of surrender the imprest within 7 working days after returning to Duty station. This imprest relate to staff on long training period, and the officer accounted for the amount within time.

Committee's observations

The Committee observed that –

The Accounting Officer was in breach of section 93 (5) of the public Finance Management Regulations, 2015 for failing to recover the outstanding imprest of Kshs. 14,406,568 since there was no documentary evidence that the imprest was accounted for in time.

Committee recommendations

The Committee recommends that –

- i) The Accounting Officers should ensure that imprest advanced to officers is surrendered within the stipulated period of seven (7) days after return to the work station in accordance with section 93 of the Public Finance Management (National Government) Regulations, 2015.
- ii) Within three months upon adoption of this report, the Accounting Officer should recover all the outstanding imprests with interest at the prevailing CBK rates and provide evidence of recovery to the National Assembly.

3.0 Trade and other Payables

3.1 Long Outstanding Payables

148. The Committee heard that, included in the trade and other payables balance of kshs.293, 830,236 as at 30 June 2017 is payable amounting to Kshs. 41,725,941.00 which had been outstanding for over two years. Although management had explained that, lack of proper documentation from the suppliers had contributed to delay in setting the claims, no evidence was Provided to show measures taken to resolve this issue. As a result, the validity, accuracy and completeness of figure for trade and other payables of Kshs.293, 830,236 as at 30th June 2017 could not be confirmed.

Management response

149. The management informed the Committee that creditor aging had been done as per the attached analysis. It is indicating a reduction in balances in the old Quick books with the outstanding balances as follows:

- i. 30th June 2015 Kshs. 280,880,775
- ii. 30th June 2016 Kshs. 41,085,959
- iii. 30th June 2017 Kshs. 22,387,262

Committee's observations and recommendations

The Committee had deliberated on the issue under trade and other payables in its report for the FY 2015/2016, observed and made recommendations thereon with respect to the long outstanding payables. Consequently, the Committee upholds the observations and recommendations made thereon.

3.2 Unremitted Salary Obligations

150. The Committee heard that, Note 8.4 to the financial statements reflects Kshs. 520,168,585.00 of unremitted salary obligations which include an amount of Kshs. 307,127,115.00 deducted from the payroll between May, 2017 and prior months that had not been remitted to the respective entities. No explanation was provided for non-remittance of these deductions as required by section 19(4) of the employment Act, 2007. The management is therefore in breach of the law and failure to remit these deductions may attract penalties and which have not been recognized in these financial statements.

Management response

151. The management informed the Committee that, Management is engaging The National Treasury and the Ministry of Health for funding of unremitted Grant of Kshs. 350,639,441.40 relating to Financial Year 2015/2016. Once these amounts are received, these balances will be cleared.

Committee's observation and recommendations

The Committee had deliberated on the issue on unremitted salary deductions for the FY 2015/16, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

4.0 Irregular Payment of Allowances

152. The Committee heard that, Included in the personal emoluments figure of Kshs. 5,124,804,916.00 as disclosed in note 6.1 to the financial statements is allowance of Kshs. 94,813,971 paid to officers of the Hospital as summarized below:
153. As reported in the previous year, these allowances were not included in the approved list of Salaries and Remuneration Commission (SRC). Although the board approved payment of these allowances in 2016 and management forwarded the Human Resource Instruments to the State Corporations Advisory Committee (SCAC) through the ministry of Health for approval, no evidence was provided to confirm that the same was approved. The expenditure of Kshs.94, 813,971 is therefore irregular.

Management response

154. The management informed the Committee that, the payment allowances to officers have been approved by the Board of Management in the year 2016. Rates of Payment of allowances in the various IGUs have also been incorporated in the HR manual which was approval in the State Corporation Advisory Committee alongside HR instruments.

Committee's observations and recommendations

The Committee had deliberated on the issue of Irregular payment of allowances in its report for the FY 2015/2016, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

5.0 Waivers and Exceptions

155. The Committee heard that, included in the total expenditure of Kshs. 6,395,890,676.00 is waivers and exemptions figure of Kshs. 146,629,213 as disclosed in note 6.8 to the financial statements. Available information indicated that the figure for waivers and exemptions was expensed based on a government policy document which was applicable to health centers as indicated in the Treasury circular reference No. DHCF/VOL.1 (138) of 23rd December, 2002. Further, the board of directors had not ratified the proposed policy document adopted by the finance and strategy committee contrary to section 1.2.1(c) of the code of governance for state corporations, 2015.
156. In addition, management did not avail documentary evidence indicating that the cabinet secretary approved the waivers and exemptions and a copy of the same sent to the Auditor-General as provided by section 148(5) of the Public Finance Management Regulations (PFMR), 2015.
157. In the circumstances, the validity of the amount for the waivers and exemptions could not be confirmed.

Management response

158. The management informed the Committee that, Waivers and Exemptions policies were approved by the 59th Hospital Full Board meeting held on 17th November 2017. The minutes are awaiting the requisite signatures. Please note that the figure of Kshs. 146M (Waivers) is not a single figure but belongs to a cumulative number of several clients who were not able to pay their bills and the Hospital granted them the waiver. The waiver policy has been approved by the Board. Approval of individual waivers attached herewith (Original file availed for verification).

Committee's observations

The Committee observed that –

The Hospital failed to seek the approval of the National Treasury contrary to section 69 of the Public Finance Management Act, 2012.

Committee's recommendations

The Committee recommends that–

Within three months upon adoption of this report, EACC should investigate the circumstances under which the bills amounting to Kshs. 146,629,213 were accumulated, the officers involved in the process of granting the credit and conditions stipulated for granting such credit leading to the loss. If any officer is found culpable, he/she should be held personally liable for the loss, DPP should initiate a legal process to recover the amount so lost from the concerned officer (s) at the prevailing CBK rates.

6.0 Prior Year matters

6.1 Irregular Procurement of Eight (8) Patient Monitors

159. The Committee heard that, As reported in the previous year, properly, plant and equipment balance of Kshs. 1,944,023,040 as at 30 June 2017 includes an amount of 17,600,000 in respect of acquisition of eight (8) patient monitors. An order of eight (8) patient monitors was issued on 23 July 2015 through LPO No. 09854. The monitors were delivered and installed on 31 October 2015 and full payment done on 2 June 2016 vides cheques No. 0295 and 029153. However, information available indicates that the monitors were not procured through open tender and no valid contract signed between the hospital and the supplier was availed for audit review. Although management explained that the patient monitors were procured under framework contract with the supplier, a review of the contract signed on 20 June 2014 indicates that the contract was for the supply of two (2) patient monitors and the duration of the contract was two (2) weeks. It was therefore evident that the procurement of the eight (8) patient monitors was not covered under the above contract. Under the circumstances, the procurement of the eight (8) patient monitors was irregular and therefore the propriety of the totals expenditure totaling Kshs. 17,600,000 could not be confirmed.

Management response

160. The management informed the Committee that, LPO No. 09854 for 8 Patient Monitors was issued on the basis of tender award of 19th August 2014 which was on As-and-When-Required (AWR) basis because the item is always required in the Hospital and the tender was applicable during the framework contract period. This reduces on the time and cost of sourcing. It is to be noted that there was urgent need for eight patient monitors for Post Anesthesia Care unit as requested by the user, and the initial supplier contracted in 2014 was contacted to supply and was willing to supply at same price.

Committee's observations and recommendations

The Committee had deliberated on the issue on Irregular Procurement of Eight (8) Patient Monitors in its report for the FY 2015/2016, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

6.2 Irregular procurement of 16 slice CT scan

161. The Committee heard that, Included in the non –current assets figure of Kshs. 2,024,492,252 as reflected in the statement of financial position as at 30 June 2017 is project cost figure of Kshs.80,469,212 out of which an amount of Kshs. 20,152,410 is in respect of 16 slice CT scan. As reported in the previous year, the hospital tender committee sitting on 5 June 2015 awarded a tender for the supply, delivery, and installation and commissioning of the sixteen (16) slice CT scan to a medical equipment supplier at a sum of Kshs. 52,890,000. However, citing lack of funds, the management on 12 October 2015 rescinded the decision by the tender committee and resorted to hire purchase arrangement with the supplier at a cost of Kshs. 64,742,649. Available information indicated that although the contract for the supply of the equipment was signed on 25 June 2015, treasury approval for use of hire purchase method was requested on 7 September 2015 and granted on 30 September 2015 meaning that the request for approval to use hire purchase method was sought and granted long after the contract had been signed. No explanation has been provided for this anomaly.

Management response

162. Management informed the Committee that, CT-Scan is technical medical equipment imported and sold by few selected medical equipment dealers pre-authorized by the manufacture. The Hospital invited bids from all dealers of CT Scan Machines.

163. The Hospital Tender Committee in its Meeting No. 18/2014-2015 (Minute No. 2 c) held on 5th June 2015 awarded the contract to Meditech Systems at Kshs. 64,742,649 after considering the available financing options.

164. There were no other cheaper financing options at hand as the only options considered were outright purchase or hire purchase. Since the Hospital had limited funds, it opted for hire purchase option so that repayments are made out of income generated from the CT Scan Machine. This therefore

informed the decision to seek approval from the National Treasury which was granted as per letter dated 30/09/2015.

165. The CT-scan was planned and budgeted during the 2015/16 FY. The Machine was delivered on 12th July 2016, successfully installed and is in use. The commissioning was delayed to allow installation of extended work stations which is now complete and awaiting commissioning.

166. The advance payment made is as provided for in the hire purchase contract.

Committee's observations and recommendations

The Committee had deliberated on the issue on Irregular procurement of 16 slice CT scan in its report for the FY 2015/16, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

Other matter

1.0 Budget Performance Kshs. 7,223,419,460

167. During the year under review, the hospital had an approved revised expenditure budget of Kshs. 7,378,966,130 against actual expenditure of Kshs. 7,206,401,011 (95%), resulting in under expenditure of Kshs. 172,565,119 or 2%. However, expenditure in some votes exceeded their approved allocation of Kshs. 570,788,489 by Kshs. 257,532,244 or 45%.

168. No evidence was provided to confirm whether there was authority for the over expenditure as required by section 12 of the State Corporations Act. Further, there was underutilization of approved expenditure of Kshs. 1,103,533,666 against actual expenditure of Kshs. 776,121,315 by Kshs. 327,412,351 as shown below; No reason was provided for thirty percent (30%) underutilization in the above budget items.

Management response

169. The management informed the Committee that, the overall budget of the Hospital was at 98% utilization being categorized as follows: Personnel emoluments at 99%, Capital Expenditure at 101% and Operations and Maintenance costs at 97%. The Operations and Maintenance vote is one line expenditure (Utilizing cost sharing income) which has been sub divided into several vote lines for operational efficiency.

Committee's observations

The Committee observed that –

- i) The underutilization by Kshs. 172,565,119 derailed the realization of the planned activities and public service delivery. The hospital based its projections of revenue and expenditure on weak assumptions and hence substantially missed the budgetary targets.

- ii) The then Accounting Officer was in breach of Section 43(2) of the Public Finance Management Act, CAP 412A which prohibits a state corporation, from reallocating funds between programs, or between Sub-Votes in the budget for a financial year.

Committee Recommendations

The Committee recommends that –

The Accounting Officer should ensure at all times that the budgets are realistic, achievable and always adhere to annual work plans, procurement plans and revenue collection schedules in compliance with Regulation 44(2) of the PFM (National Government) Regulations, 2015. Further, the Committee reprimands the then Accounting Officer for breach of Section 43(2) of the PFM Act.CAP412A.

2.0 Ethnic Composition of employees of the hospital

170. The Committee heard that, an examination and analysis of human resource records of the hospital availed for audit verification revealed that, the hospital had 12 members of the Board, 6 senior management staff and 3,639 other permanent and pensionable staff as at 30 June 2017

It is apparent from the above analysis that one ethnic community comprised of 71 percent of the total work force of the hospital contrary with Section 7(1) and 2 of the national cohesion and integration Act, 2008 which requires that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment shall have more than one third (1/3) of its establishments from the same ethnic community. The management is therefore in breach of the law.

Management response

171. The management informed the Committee that, the senior levels are sourced competitively and the Hospital has therefore adhered to the stipulated NCIA, 2008 rule.
172. Technical staff in the Job Groups M12 to M2 has diverse ethnic groupings which comply with the requirements of NCIA 2008 rule.
173. Lower Cadres (M13 to M17) attracts from within the county and it's due to the low remunerative package hence only attracting the local community.

Committee's observations and recommendations

The Committee had deliberated on the issue of ethnic composition of employees of the hospital in its report for the FY 2015/2016, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE AUDITED ACCOUNTS OF THE PUBLIC BENEFIT ORGANIZATION REGULATORY AUTHORITY (FORMERLY NGO CO-ORDINATION BOARD) FOR THE FINANCIAL YEAR 1992/1993 – 2006/2007

Financial Year 1992/1993

1.0 Delay in submission of accounts

174. The Committee heard that, the Exchequer and Audit Act (Cap: 412 of the Laws of Kenya) required the accounts of the Board should have been submitted for audit by 31st October, 1993. The accounts were not, however, received until November 27, 1996. No evidence has been made available to confirm that the extension of submission time was approved by the National Assembly as required by Law.

Management response

175. The management informed the Committee that, the Board was operating under the Office of the President managed by seconded staff. The Board had not hired a technical staff to deal with the substantive role. When the Board hired substantive staff that's when the backlog of accounts were prepared and availed for audit.

Committee observations

The Committee observed that –

The then Accounting Officer breached the Exchequer and Audit Act (Cap: 412 which required timely submission of the accounts of the Board to the Controller and Auditor General.

Committee recommendations

The Committee recommends that –

The Committee reprimands the then Accounting for officer for failure to adhere to the provisions of the Exchequer and Audit Act (Cap: 412. Further the Accounting Officer should at all times comply with the provisions of Section 68(2) of the Public Finance Management Act of 2012 by submitting all the required information for audit within the stipulated timelines.

2.0 Accuracy of account

176. The Committee heard that the accounts submitted were constructed from an extract of the Appropriation Accounts for 1992/93. The Bureau did not maintain books of account for the year under review and that that their accounting was done on their behalf by Office of the President. The Bureau has not made available original documents to support the figures in the accounts. Further, the abstract from the Appropriation Account for Head - 029 Non-Governmental

Organizations Co-ordination Bureau reflects significant variations between approved estimates and actual expenditure/income, which have not been explained. Such variations range between 27% and 189% of the budgeted figures.

Management response

177. The management informed the Committee that its true the Bureau did not maintain books of account for the year under review and that their accounting was done on their behalf by Office of the President. All the original documents were maintained by the Office of the President at that time and the Board was unable to absorb the government grants and appropriation in aid.

Committee observations

The Committee observed that –

The then Accounting Officer failed to maintain proper books of accounts for the Board and relied on appropriations accounts rendering the financial statements prepared then inaccurate.

Committee recommendations

The Committee recommends that –

The Accounting officer should at all times ensure that the organization keeps financial and accounting records that comply with the provisions of Section 68 (2) (b) of the Public Finance Management Act, 2012.

Financial Year 1993/1994

1.0 Delay in submission of accounts

178. The Committee heard that the Exchequer and Audit Act (Cap: 412 of the Laws of Kenya) required the accounts of the Board should have been submitted for audit by 31st October 1994. The accounts were not, however, received until November 27, 1996. No evidence has been made available to confirm that the extension of submission time was approved by the National Assembly as required by Law.

Management response

179. The management informed the Committee that, the accounts for 1993/94 were submitted late. This is due to the fact that the officers who prepared the accounts assumed that the accounts were to be incorporated in Appropriation Accounts of the Office of the President as was the case in 1992/93. It was only later that they learnt that the accounts were to be submitted to the Office of the Auditor General. The accounts were later submitted to the office of the Auditor General.

Committee's observations and recommendations

The Committee had deliberated on the issue of delay in submission of accounts in its report for the FY 1992/1993, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

2.0 Accumulated funds

180. The Committee heard that, the Balance Sheet Accumulated Funds figure of Kshs.3,836,954 includes a balance of Kshs.1,226,064 brought forward from 1992/1993. As stated in the report on the accounts for 1992/1993, original documents supporting figures in the accounts for that year were not produced for audit verification, and have still not been produced. Confirmation of the Balance Sheet figure of Kshs. 3,836,954 is thus affected by the inability to verify the brought forward figure.

Management Response

181. The management informed the Committee that, the balance sheet accumulated funds figure of Kshs.3,836,954 includes a balance of Kshs.1,226,064 brought forward from 1992/1993. This figure could not be supported by original documents since the 1992/93 accounts were prepared by Office of the President and incorporated in appropriation accounts. The original documents are filed at Office of the President. The Bureau only relied on the extract of the appropriation in aid to come up with the balance of Kshs.1,226,064.

Committee observations

The Committee observed that –

The then Accounting Officer failed to provide supporting documents for accumulated funds of Kshs.1,226,064 brought forward from 1992/1993.

Committee recommendations

The Committee recommends that –

The accounting officer should at all times ensure that the organization keeps financial and accounting records that comply with the provisions of Section 68 (2) (b) of the Public Finance Management Act, 2012.

3.0 Grants from Kenya Government

182. The Committee heard that, the Income and Expenditure Account reflects Grants from Kenya Government amounting to Kshs.5,600,000 during the year under review. However, the Appropriation Account for Vote R 1 Head 029 - Non-Governmental Organization's Co-ordination

Bureau reflects an amount of Kshs.5,885,540. No explanation has been given for the difference of Kshs.285,540 between the two sets of records which should otherwise agree.

Management response

183. The management informed the Committee that the government Grant authorized for the Bureau was Kshs. 6000,000 out of this, the Bureau was to raise appropriation in aid of Kshs. 400,000. As such, the Net Grant was Kshs.5,600,000, which was received as follows: -

Cheque No. Z/B-748679 - Kshs.910,600 -16/9/93
Z/B-804412-Kshs. 2,455,180 -15/11/93
Z/B-811806- Kshs. 2,234,220 -14/3/94
Kshs. 5,600,000

184. The difference of Kshs.285,540 was part of the appropriation in aid which the Bureau collected in excess.

Committee observations

The Committee observed that –

The Grants from Kenya Government and Appropriation Account for Vote R 1 Head 029 for the financial year 1993/1994 had a difference of Kshs.285,540 which could not be explained neither was it accounted for.

Committee recommendations

The Committee recommends that –

The Accounting officer should at all times ensure that the organization keeps financial and accounting records that comply with the provisions of Section 68 (2) (b) of the Public Finance Management Act, 2012.

Financial Year 1994/1995

1.0 Delay in submission of accounts

185. The Committee heard that, the Exchequer and Audit Act (Cap 412) of the Laws of Kenya, required the accounts of the Bureau for the year 1994/95 should have been submitted for audit by 31 October 1995. The accounts were, however, not received until 27th November 1996. No evidence has been made available to confirm that the extension of submission time was approved by the National Assembly as required by law.

Management response

186. The management informed the Committee that, the 1994/95 accounts were submitted late. This is due to the fact that the officers who prepared the 1993/94 accounts assumed that they were to be presented to the Board meeting before being presented to the Office of the Auditor General. The meeting was held on January 1995 hence the delay. This is highly regretted.

Committee's observations and recommendations

The Committee had deliberated on the issue of delay in submission of accounts in its report for the FY 1992/1993, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

2.0 Accumulated funds

187. The Committee heard that the Balance Sheet Accumulated Funds figure of Kshs.7,812,564 includes a brought forward figure of Kshs.1,226,064 which, as indicated in previous reports has not been verified due to non-availability of original supporting documents. The supporting documents have not been produced up to the date of signing this report.

Management response

188. The balance sheet accumulated funds figure of Kshs. 7,812,564 includes a brought forward figure of Kshs.1,226,064 which is brought forward from 1992/93 accounts. The original documents to support this figure are filed with Office of the President which was running the Bureau at the time.
189. The Bureau at the inception in 1992 had only four employees while the rest were from Office of the President. It had no bank account of its own but was using the Office of the President account. As such all transactions were being handled by Office of the President. In that regard, the accounts for 1992/93 were incorporated in the Appropriation Accounts by the Office of the President Officers which were audited by the Auditor General.

Committee's observations and recommendations

The Committee had deliberated on the issue of Accumulated funds in its report for the FY 1993/1994, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

Financial Year 1995/1996

1.0 Board membership

190. The Committee heard that, section 4 of the Act establishing the Bureau provides that membership of its Board shall be 23. However, in the year under review 25 directors served in the Board. There was no any amendment to the Act providing for the increased number. In view of this, any expenditure relating to the extra membership is not an appropriate charge to the public funds.

Management response

191. The management informed the Committee that, the Minister in charge of the NGOs Bureau appointed seven members to the Board vide Gazette Notice No. 852 instead of No. 5 as per Section 4(1) (i) of the NGOs Act but Section 4(4) gives the Board powers to co-opt up to three persons to represent such interests as may be determined by the Board.

Committee observations

The Committee observed that –

The then Minister in charge of the NGO Coordination Board breached section 4 of the Non-Governmental Organizations Coordination Act, CAP 134. This may led to extra irregular expenditure inform board expenses and other allowances due to the extra board members.

Committee recommendations

The Committee recommends that –

The Accounting officer should at all times comply with the provisions of section 35 of the Public Benefit Organization Act, 2013.

2.0 Grants from Kenya Government

192. The Committee heard that, the accounts for the year under review reflect an amount of Kshs.11,100,300 as grants from Kenya Government while the Appropriation accounts reflect Kshs.10,117,300. No explanation has been provided for the difference of Kshs.983,000 between the two sets of records which should otherwise agree.

Management response

193. The management informed the Committee that the Board received Kshs. 11,100,300 during 1995/96 financial year from the Government, and the same is accounted for in the financial statements.

Committee's observations and recommendations

The Committee had deliberated on the issue of Grants from Kenya Government in its report for the FY 1993/1994, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

3.0 Accumulated funds

194. The Committee heard that, the balance sheet accumulated fund figure of Kshs.8,887,630 includes an unverified balance of Kshs.1,226,064 brought forward from 1992/93. Supporting documents for the 1992/93 accounts have not been produced for audit verification up to the date of this report.

Management response

195. The 1992/93 accounts were audited together with the accounts of the Office of the President by the Controller and Auditor General who verified the records for that year.

Committee's observations and recommendations

The Committee had deliberated on the issue of Accumulated funds in its report for the FY 1993/1994, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

4.0 Debtors and prepayment

196. The Committee heard that, included in the Kshs.1,857,309 balance sheet debtors and prepayments figure is Kshs.188,076 owed by a former senior official of the Bureau on account of salary advance, unsurrendered imprests and unaccounted for cash collections. There is no evidence to indicate that the Bureau has taken seriously the matter of recovery.

Management response

197. The management informed the Committee that, the Debtors and Prepayments, the Board wrote to the officers concerned, with the view of recovering the said amount.

Committee observations

The Committee observed that –

The then Accounting failed to demonstrate the steps taken to recover the salary advance, unsurrendered imprests and unaccounted for cash collections owed by a former senior official of the Board amounting to Kshs.188,076.

Committee recommendations

The Committee recommends that –

The Accounting officer should at all times comply with the provisions of Section 93(5) of the Public Finance Management (National Government) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty.

5.0 Ex-gratia payments

198. The Committee heard that, in the year under review the Bureau made ex-gratia payment totaling Kshs.60,000 (1994/95 Kshs.6,560) without the Board's approval. Under the circumstances, the payments are not a fair charge to public funds.

Management response

199. The management informed the Committee that, the amount paid was under staff welfare to officers who could not afford the extra medical expenses they had incurred. This item for staff welfare, was budgeted for and approved by the Board.

Committee observations

The Committee observed that –

The then Accounting a made an ex-gratia payment amounting to Kshs.60,000 without the requisite approval by the Board.

Committee recommendations

The Committee recommends that –

The Accounting officer should at all times ensure the requisite approvals where necessary are sought before incurring an expenditure.

Financial Year 1996/1997

1.0 Accumulated funds

200. The Committee heard that, in the previous year's report, it was pointed out that unverified amount of Kshs.1,226, 064 brought forward from 1992/93 was included in the balance of accumulated fund. Supporting documents for the 1992/93 accounts have not been produced for audit verification to date and the amount which is included in the figure of Kshs. 10,500,153 for the year under review is still unverified.

Management response

201. The management informed the Committee that, the 1992/93 accounts were audited together with the accounts of the Office of the President by the Controller and Auditor General who verified the records for that year.

Committee's observations and recommendations

The Committee had deliberated on the issue of Accumulated funds in its report for the FY 1993/1994, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

2.0 Debtors and prepayment

202. The Committee heard that, included in the Kshs.2,501,731 balance sheet debtors and Payments figure is Kshs.188,076 which is subject of previous year's report. The amount is owed by former officers of the Bureau on account of salary advance, unsurrendered imprest and unaccounted for cash collections. Although the Bureau has stated that it will recover the debts, there was no evidence of any action taken so far. In my view; the Bureau has not taken seriously the matter of recovery.

Management response

203. The management informed the Committee that, the Board wrote to the officers concerned with the view of recovering the said amount.

Committee's observations and recommendations

The Committee had deliberated on the issue of Debtors and prepayment in its report for the FY 1995/1996, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

Financial Year 1997/1998

1.0 Financial position

204. The Committee heard that, during the year 1997/98, the Board realized a deficit of Kshs. 1,854,027 as compared to a surplus of Kshs.1,608,518 reported in 1996/97 while its Working Capital during the same period decreased from Kshs.6,663,081 reported as at 30th June 1997 to Kshs.495,320 as at 30th June 1998. Although the Board relies wholly on government grants, it is not clear, however, how management intends to control its expenditure so as to operate within the limitation of grant funds available.

Management response

205. The management informed the Committee that, during the year, the Board reflected a deficit of Kshs.1, 854, 027 this was attributed majorly to the recruitment of permanent staff and the Board of Directors' expenses as a result of undertaking the recruitment process.

206. To improve the drop of liquidity position, the management come up with various measures to improve the working capital position which yielded improvement in working capital. At the sometime, there were negotiations done with the Parent Ministry for more funding.

Committee observations

The Committee observed that –

The Financial position of the Board deteriorated in the year under review arising from a deficit of Kshs.1,854,027 attributed to the recruitment of permanent staff and Board of Directors expenses.

Committee recommendations

The Committee recommends that –

The Accounting officer should at all times ensure that expenditure of the Board is managed in accordance with the approved budget and the available funds to avoid over-committing the Board beyond its financial capacity.

2.0 Logbook for Musso KAJ 152N

207. The Committee heard that the board purchased two vehicles in 1997, a Peugeot 504 saloon at a cost of Kshs. 1,501,587 and a Musso four-wheel drive car at a cost of Kshs.2,198,325. although the log book for the Peugeot saloon car was seen and confirmed as owned by the board, the registration book for the Musso vehicle was, however, not availed for audit verification. In the absence of the registration book, it was not possible to confirm the ownership of the vehicle or even the inclusion of its value in the board's assets as reflected on the balance sheet as at 30th June, 1998.

Management response

208. The management informed the Committee that, at the time of the audit, the log book had not been received from the Kenya Revenue Authority (registrar of motor vehicles).

Committee observations

The Committee observed that –

The then Accounting Officer failed to submit the logbook of the Musso four-wheel car for audit verification to the Controller and Auditor-General in time.

Committee recommendations

The Committee recommends that –

The Accounting officer should at all times comply with the requirements of Section 62 (1) (c) of the Public Audit Act, 2015.

Financial Year 1998/1999

1.0 Irregular payments of sitting allowances

209. The Committee heard that, during the year 1998/1999 a total of Kshs.33,000 was irregularly paid as sitting and other allowances to directors who are public servants in receipt of salary contrary to provisions of Section 10 (1) of the State Corporations Act, (Cap 446). Although this expenditure is evidently irregular, justification for it to remain as a charge on public funds has not been provided.

Management response

210. The management informed the Committee that, remuneration and expenses for Chairman and Board members of the state corporations were determined by section 10(1) of state corporation Act Chapter 446 Laws of Kenya. In the year under review, the NGOs Coordination Board paid remunerations and allowances to the Board Members as per the state corporations Act.

211. Section 4 of the NGOs Coordination Board Act stipulates the composition of the Board. Permanent secretaries used to designate an officer from his/her respective Ministry who will represent him/her in the Board and committee meetings. Sitting allowance or any other remunerative allowances were paid to duly appointed members attending Board meeting. These officers appointed by the Permanent secretary to represent them, who were public servants, received allowances.

Committee's observations and recommendations

The Committee had deliberated on the issue of Irregular payments of sitting allowances in its report for the FY 1997/1998, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

Financial Year 1999/2000

1.0 Irregular payment of board sitting allowance

212. The Committee heard that, in the report for the year 1998/1999, concern was raised regarding the irregular payment of Kshs.33,000 in respect of sitting allowances to Board members who were also public servants in receipt of a salary, contrary to the provisions of Section 10(1) of the State Corporations Act (Cap 446). During the year under review and contrary to the Law, further irregular payments amounting to Kshs.48,000 were again made as sitting allowances to public servants who were also Board members. Although this expenditure is evidently irregular, no justification has been provided for its retention as a charge to public funds.

Management response

213. The management informed the Committee that, remuneration and expenses for the Chairman and Board members of the state corporations were determined by section 10(1) of state corporation

Act Chapter 446 Laws of Kenya. In the year under review, the NGOs Coordination Board paid remunerations and allowances to the Board Members as per the State Corporations Act.

214. Section 4 of the NGOs Coordination Board Act stipulates the composition of the Board. Permanent secretaries used to designate an officer from his/her respective Ministry who will represent him/her in the Board and committee meetings. Sitting allowance or any other remunerative allowances were paid to duly appointed members attending Board meetings. These officers appointed by the Permanent secretary to represent them, who were public servants, received allowances.

Committee's observations and recommendations

The Committee had deliberated on the issue of Irregular payments of board sitting allowances in its report for the FY 1997/1998, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

Financial Year 2000/2001

Unqualified Report

Committee observation

215. The Board was issued with Unqualified Report for the Financial Year 2000/2001

Committee Recommendations

The Accounting Officer should continue upholding the sound financial management practices.

Financial Year 2001/2002

1.0 Irregular donations

216. The Committee heard that the Board has for the past several years, incurred irregular expenditures posted as Grants to other Institutions in the Income and Expenditure Account. The irregular expenditure was in respect of donations for harambees, funeral expenses, and hospital bills incurred by the Chief Executive Officer in response to invitations made to him through cards to preside over those functions. During the year under review, the Board spent Kshs.129,000 as Donations under the item of Grants to other Institutions, contrary to the provisions of Section 29(2) of the Non-Governmental Organization's Co-ordination Act, 1990. Clearly, the Board was in breach of the law and the propriety of the expenditure could not be confirmed.

Management response

217. The management informed the Committee that, within the year, the Board used to undertake corporate social responsibility. Later, a clear Policy on Corporate Social Responsibility emerged within the Government, which the Board strictly adheres to.

Committee observations

The Committee observed that –

218. The Board irregularly incurred an expenditure of Kshs.129,000 in respect of donations for harambees and funeral expenses contrary to Section 12 of the State Corporations Act, CAP 446.

Committee recommendations

The Committee recommends that –

The Accounting officer should at all times comply with the requirements of Section 12 of the State Corporations Act, CAP 446.

2.0 irregular payments to public officers

219. The Committee heard that, during the year ended 30th June, 2002 the Board irregularly paid Kshs.240,000 as lunch/sitting allowances to Board Members who were also public officers in receipt of a salary contrary to the provisions of section 10(1) of the State Corporation Act (Cap 446). Apart from the fact that the Board was in breach of the law, no action appears to have been taken to recover the amounts.

Management response

220. The management informed the Committee that, Remuneration and expenses for the Chairman and Board members of the state corporations were determined by section 10(1) of State Corporation Act Chapter 446 Laws of Kenya.
221. In the year under review, the NGOs Coordination Board paid remunerations and allowances to the Board Members as per the State Corporations Act. Section 4 of the NGOs Coordination Board Act stipulates the composition of the Board. Permanent secretaries used to designate an officer from his/her respective Ministry who will represent him/her in the Board and committee meetings. Sitting allowance or any other remunerative allowances were paid to duly appointed members attending Board meeting. These officers appointed by the Permanent secretary to represent them, who were public servants, received allowances.

Committee's observations and recommendations

222. The Committee had deliberated on the issue of irregular payments to public officers in its report for the FY 1997/1998, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

Financial Year 2002/2003

1.0 Irregular donations

223. The Committee heard that the Board has for the past several years, incurred irregular expenditure posted as Grants to other Institutions in the Income and Expenditure Account.

The irregular expenditure was in respect of donations for Harambees, funeral expenses and hospital bills incurred by the Chief Executive Officer in response to invitations made to him through cards to preside over those functions. During the year under review, the Board spent Kshs.129,000 as Donations under the item of Grants to other Institutions, contrary to the provisions of Section 29(2) of the Non-Governmental Organization's Co-ordination Act, 1990. Clearly, the Board was in breach of the law and the propriety of the expenditure could not be confirmed.

Management response

224. The management within the year, the Board used to undertake corporate social responsibility. Later, a clear Policy on Corporate Social Responsibility emerged within Government, which the Board strictly adheres to.

Committee's observations and recommendations

The Committee had deliberated on the issue of irregular donations in its report for the FY 2001/2002, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

Financial Year 2003/2004

Unqualified Report

Committee observations

The Board was issued with Unqualified Report for the Financial Year 2003/2004

Committee Recommendations

The Accounting Officer should continue upholding sound financial management practices.

Financial Year 2004/2005

Unqualified Report

Committee observations

The Board was issued with Unqualified Report for the Financial Year 2004/2005

Committee Recommendations

The Accounting Officer should continue upholding sound financial management practices.

Financial Year 2005/2006

Unqualified Report

Committee observations

The Board was issued with an Unqualified Report for the Financial Year 2005/2006

Committee Recommendations

The Accounting Officer should continue upholding sound financial management practices.

Financial Year 2006/2007

Unqualified Report

Committee observations

The Board was issued with Unqualified Report for the Financial Year 2006/2007

Committee Recommendation

The Accounting Officer should continue upholding sound financial management practices.

Handwritten signature in blue ink that reads "Emmanuel Wangwe" followed by a horizontal line and the date "05/08/25".

HON. EMMANUEL WANGWE CBS, MP
CHAIRPERSON – PUBLIC INVESTMENTS COMMITTEE ON SOCIAL SERVICES,
ADMINISTRATION AND AGRICULTURE



REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT – (FOURTH SESSION 2025)

THE NATIONAL ASSEMBLY

PUBLIC INVESTMENTS COMMITTEE ON SOCIAL SERVICES ADMINISTRATION &

AGRICULTURE

DIRECTORATE OF AUDIT, APPROPRIATIONS AND GENERAL PURPOSE

COMMITTEES

COMMITTEE MEMBERS REPORT WRITING ADOPTION LIST

No.	NAME	DATE	SIGN
1.	Hon. Emmanuel Wangwe, MP, CBS – Chairperson		
2.	Hon. Caleb Amisi Luyai, MP – Vice Chairperson		
3.	Hon. Ferdinand Kevin Wanyonyi, MP		
4.	Hon. Martin Peters Owino, MP		-
5.	Hon. (Amb.) Benjamin Langat Kipkirui, MP		-
6.	Hon. Nicholas Ngikor Ngikolong, MP		
7.	Hon. (Dr.) Lilian Gogo, MP		-
8.	Hon. Fatuma Jehow Abdi, MP		
9.	Hon. Joshua Kivinda Kimilu, MP		
10.	Hon. Umulker Sheikh Kassim, MP		
11.	Hon. Caleb Mule Mutiso, MP		
12.	Hon. (Dr.) Jackson Kipkemoi Kosgei, MP		
13.	Hon. Michael Wambugu Wainaina, MP		-
14.	Hon. Paul Nabuin Ekwom, MP		
15.	Hon. Elijah Njore Kururia, MP		

1

MINUTES OF THE 4TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON SOCIAL SERVICES, ADMINISTRATION, AND AGRICULTURE HELD AT HILTON GARDEN INN HOTEL, ON SATURDAY 5TH APRIL, 2025 AT 2.00 PM.

PRESENT:

- | | |
|--|------------------|
| 1. Hon. Emmanuel Wangwe, CBS, MP | Chairperson |
| 2. Hon. Caleb Amisi Luyai, MP | Vice Chairperson |
| 3. Hon. Ferdinand Kevin Wanyonyi, MP | |
| 4. Hon. (Amb.) Benjamin Langat Kipkirui, MP | |
| 5. Hon. Fatuma Jehow Abdi, MP | |
| 6. Hon. Umulker Sheikh Kassim, MP | |
| 7. Hon. Joshua Kivinda Kimilu, MP | |
| 8. Hon. Caleb Mule Mutiso, MP | |
| 9. Hon. Bishop (Dr.) Jackson Kipkemoi Kosgei, MP | |
| 10. Hon. Paul Nabuin Ekwom, MP | |

APOLOGIES:

1. Hon. Nixon Nicholas Ngikolong, MP
2. Hon. Martin Peters Owino, MP
3. Hon. (Dr.) Lilian Gogo, MP
4. Hon. Michael Wambugu Wainaina, MP
5. Hon. Elijah Njore Kururia, MP

IN ATTENDANCE:

SECRETARIAT

- | | |
|--------------------------|-----------------------------|
| 1. Mr. Aden Abdulahi | Principal Clerk Assistant I |
| 2. Mr. Enock Manwa | Clerk Assistant III |
| 3. Ms. Christine Mariita | Clerk Assistant III |
| 4. Mr. Thomas Ogwel | Fiscal Analyst |
| 5. Ms. Mercy Kinyua | Legal Counsel |
| 6. Mr. Wesley Abugah | Researcher |
| 7. Mr. Stanley Langat | Sergeant – At – Arms |

OFFICE OF THE AUDITOR GENERAL

- | | |
|-----------------------|----------|
| 1. Mr. David Githinji | DDA -LRO |
| 2. Mr. Jeff Owiny | SA |

MIN/PIC SSAA/2025/ 10

PRELIMINARIES

The Chairperson called the meeting to order at 2.30 PM thereafter he prayed.

MIN/PIC SSAA/2025/ 11

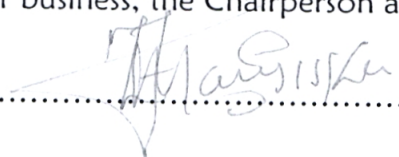
SUBSTANTIVE AGENDA: ADOPTION OF THE REPORT

The Committee unanimously adopted the report as proposed by Hon. Bishop (Dr.) Jackson Kipkemoi Kosgei, MP and seconded by Hon. Paul Nabiun Ekwom, MP

MIN/PIC SSAA/2025/ 12

ADJOURNMENT

There being no other business, the Chairperson adjourned the sitting at half past Four.

Signed.....

Hon. Emmanuel Wangwe CBS, MP – Chairperson

Date.....

8 3

MINUTES OF THE 2ND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON
SOCIAL SERVICES, ADMINISTRATION, AND AGRICULTURE HELD AT HILTON
GARDEN INN HOTEL, ON FRIDAY 4TH APRIL, 2025 AT 2.00 PM.

PRESENT:

- | | |
|--|------------------|
| 1. Hon. Emmanuel Wangwe, CBS, MP | Chairperson |
| 2. Hon. Caleb Amisi Luyai, MP | Vice Chairperson |
| 3. Hon. Ferdinand Kevin Wanyonyi, MP | |
| 4. Hon. (Amb.) Benjamin Langat Kipkirui, MP | |
| 5. Hon. Fatuma Jehow Abdi, MP | |
| 6. Hon. Umulker Sheikh Kassim, MP | |
| 7. Hon. Joshua Kivinda Kimilu, MP | |
| 8. Hon. Caleb Mule Mutiso, MP | |
| 9. Hon. Bishop (Dr.) Jackson Kipkemoi Kosgei, MP | |
| 10. Hon. Paul Nabuin Ekwom, MP | |

APOLOGIES:

1. Hon. Nixon Nicholas Ngikolong, MP
2. Hon. Martin Peters Owino, MP
3. Hon. (Dr.) Lilian Gogo, MP
4. Hon. Michael Wambugu Wainaina, MP
5. Hon. Elijah Njore Kururia, MP

IN ATTENDANCE:

SECRETARIAT

- | | |
|--------------------------|-----------------------------|
| 1. Mr. Aden Abdulahi | Principal Clerk Assistant I |
| 2. Mr. Enock Manwa | Clerk Assistant III |
| 3. Ms. Christine Mariita | Clerk Assistant III |
| 4. Mr. Thomas Ogwel | Fiscal Analyst |
| 5. Ms. Mercy Kinyua | Legal Counsel |
| 6. Mr. Wesley Abugah | Researcher |
| 7. Mr. Stanley Langat | Sergeant – At – Arms |

OFFICE OF THE AUDITOR GENERAL

6. Mr. Moses Esamai

Audio Officer

OFFICE OF THE AUDITOR GENERAL

- | | |
|-----------------------|-----------------------|
| 1. Ms. Ruth Kuria | Deputy Director Audit |
| 2. Mr. David Githinji | Deputy Director LRO |
| 3. Mr. Luciana Matata | Principal Auditor |
| 4. Mr. Jeff Otieno | Senior Auditor LRO |

PUBLIC BENEFIT ORGANIZATIONS REGULATORY AUTHORITY (NGO'S BOARD)

- | | |
|-----------------------|-----------------|
| 1. Mr. Lindon Nicolas | Ag. CEO |
| 2. Mr. David Njane | Finance Manager |

MIN/PIC SSAA/2024/70

PRELIMINARIES

The Chairperson called the meeting to order at 10.00 AM thereafter he prayed.

MIN/PIC SSAA/2024/71

SUBSTANTIVE AGENDA: EXAMINATION OF THE AUDITOR'S GENERAL REPORT OF THE PUBLIC BENEFIT ORGANIZATIONS REGULATORY AUTHORITY (NGO'S BOARD) FOR THE FINANCIAL YEARS 1992/1993 TO 2020/2021

Mr. London Nicolas the Ag. Chief Executive Officer of Benefit Organizations Regulatory Authority (Ngo's Board) was accompanied by Mr. David Njane (Finance Manager) appeared before the committee to adduce evidence on the Audited accounts of the Benefit Organizations Regulatory Authority (Ngo's Board) for the Financial year 1992/1993 to 2020/2021.

FY 1993

1. DELAY IN SUBMISSION OF ACCOUNTS FY 1993, 1994, 1995

The committee heard that According to the Exchequer and Audit Act (Cap: 412 of the Laws of Kenya) the accounts of the Bureau should have been submitted for audit by 31 October, 1993. The accounts were not, however, received until November 27, 1996. No evidence has been made available to confirm that the extension of submission time was approved by the National Assembly as required by Law.

Committee observations

The Committee observed that –

The then Accounting Officer breached the Exchequer and Audit Act (Cap: 412 which required timely submission of the accounts of the Board to the Controller and Auditor General.

Committee Resolutions

The committee resolved that the Bureau to be held accountable for the failure to submit its accounts on time, and the relevant officers responsible for the delay , disciplinary measures should be taken against those found negligent or in breach of duty. Further the Bureau to submit minutes the y relied in preparing Financial statements

2.ACCURACY OF ACCOUNT

The Committee heard that the accounts submitted were constructed from an extract of the Appropriation Accounts for 1992/93. The Bureau did not maintain books of account for the year under review and I am advised that their accounting was done on their behalf by Office of the President. The Bureau has not made available original documents to support the figures in the accounts. Further, the abstract from the Appropriation Account for Head - 029 Non-Governmental Organizations Co-ordination Bureau reflects significant variations between approved estimates and actual expenditure/income which have not been explained. Such variations range between 27% and 189% of the budgeted figures.

Committee observations

The Committee observed that –

The then Accounting Officer failed to maintain proper books of accounts for the Board and relied on appropriations accounts rendering the financial statements prepared then inaccurate.

Committee Resolutions

The Committee resolved that the Bureau to submit all original supporting documentation and Minutes of the Board for the financial accounts submitted for the year 1992/93 for verifications.

FY 1994

1.ACCUMULATED FUNDS FY 1994,1995,1996,1997

The Committee heard that the Balance Sheet Accumulated Funds figure of Kshs. 3,836,954 includes a balance of Kshs. 1,226,064 brought forward from 1992/93. As stated in the report on the accounts for 1992/93, original documents supporting figures in the accounts for that year were not produced for audit verification, and have still not been produced. Confirmation of the Balance Sheet figure of Kshs. 3,836,954 is thus affected by the inability to verify the brought forward figure.

Committee Observations

The Committee noted that the accumulated funds balance of Kshs. 1,226,064 brought forward from the 1992/93 financial year could not be verified due to the unavailability of original supporting documents.

Committee Resolutions

The Committee resolves that Management to submit the Board minutes and any other relevant supporting documents they relied in preparing accounts for further verification of the brought-forward balance.

2.GRANTS FROM KENYA GOVERNMENT 1994,1996

The Committee heard that Income and Expenditure Account reflects Grants from Kenya Government amounting to Kshs.5,600,000 during the year under review. However, the Appropriation Account for Vote R 1Head 029 - Non-Governmental Organisations Co-ordination Bureau reflects an amount of Kshs.5,885,540. No explanation has been given for the difference of Kshs.285,540 between the two sets of records which should otherwise agree.

Committee observations

The Committee observed that –

The Grants from Kenya Government and Appropriation Account for Vote R 1 Head 029 for the financial year 1993/1994 had a difference of Kshs.285,540 which could not be explained neither was it accounted for.

FY 1996

1. BOARD MEMBERSHIP

The Committee heard that Section 4 of the Act establishing the Bureau provides that membership of its Board shall be 23. However, in the year under review 25 directors served in the Board. I have not seen any amendment to the Act providing for the increased number. In view of this, any expenditure relating to the extra membership is not an appropriate charge to the public funds.

Committee observations

The Committee observed that –

The then Minister in charge of the NGO Coordination Board breached section 4 of the Non-Governmental Organizations Coordination Act, CAP 134. This may led to extra irregular expenditure inform board expenses and other allowances due to the extra board members.

2. DEBTORS AND PREPAYMENT 1996,1997

The Committee heard that the amount Included in the Kshs.1,857,309 Balance Sheet Debtors and Prepayments figure is Kshs.188,076 owed by a former senior official of the Bureau on account of salary advance, unsurrendered Imprests and unaccounted for cash collections. There is no evidence to indicate that the Bureau has taken seriously the matter of recovery.

Committee observations

The Committee observed that –

The then Accounting failed to demonstrate the steps taken to recover the salary advance, unsurrendered imprests and unaccounted for cash collections owed by a former senior official of the Board amounting to Kshs.188,076.

3. EX-GRATIA PAYMENTS

The committee Heard that In the year under review the Bureau made ex-gratia payment totaling Kshs.60,000 (1994/95 Kshs.6,560) without the Board's approval. Under the circumstances, the payments are not a fair charge to public funds.

Committee observations

The Committee observed that –

The then Accounting a made an ex-gratia payment amounting to Kshs.60,000 without the requisite approval by the Board.

FY 1998

1.FINANCIAL POSITION

The committee heard that during the year 1997/98, the Board realized a deficit of Kshs. 1,854,027 as compared to a surplus of Kshs. 1,608,518 reported in 1996/97 while its Working Capital during the same period decreased from Kshs.6,663,081 reported as at 30 June 1997 to Kshs.495,320 as at 30 June 1998. Although the Board relies wholly on Government grants, it is not clear, however, how management intends to control its expenditure so as to operate within the limitation of grant funds available.

Committee observations

The Committee observed that –

The Financial position of the Board deteriorated in the year under review arising from a deficit of Kshs.1,854,027 attributed to the recruitment of permanent staff and Board of Directors expenses.

Committee Resolutions

- i. The Committee resolved that the Board must implement stringent budget control mechanisms to ensure expenditures do not exceed available grant funds. A review of the current budgeting process should be conducted to identify areas of excessive spending.

- ii. The Committee resolved that the Board must demonstrate effective utilization of government grants by aligning spending with priority areas. Any misallocation or inefficiencies should be addressed, and regular financial reports should be presented to the Committee.

2.LOG BOOK FOR MUSSO KAJ 152N

The Committee heard that Board purchased two vehicles in 1997, a Peugeot 504 Saloon at a cost of Kshs. 1,501,587 and a Musso Four Wheel Drive Car at a cost of Kshs.2, 198,325.

Although the log book for the Peugeot Saloon Car was seen and confirmed as owned by the Board, the registration book for the Musso vehicle was, however, not availed for audit verification. In the absence of the registration book, it was not possible to confirm the ownership of the vehicle or even the inclusion of its value in the Board's assets as reflected on the Balance Sheet as at 30 June 1998.

Committee observations

The Committee observed that –

The then Accounting Officer failed to submit the logbook of the Musso four-wheel car for audit verification to the Controller and Auditor-General in time.

FY 1999

1.IRREGULAR PAYMENTS OF SITTING ALLOWANCES,1999,2000

The committee heard that during the year 1998/99 a total of Kshs.33,000 was irregularly paid as sitting and other allowances to directors who are public servants in receipt of salary contrary to provisions of Section 10 (l) of the State Corporations Act, (Cap 446). Although this expenditure is evidently irregular, justification for it to remain as a charge on public funds has not been provided.

Committee Observations

- i. The committee observed that the Board violated Section 10(1) of the State Corporations Act (Cap 446), which prohibits public servants, who are already in receipt of a salary,

from receiving additional sitting or other allowances. The payment of Kshs. 33,000 in allowances to directors who were public servants was unlawful.

FY 2001

The Entity received UNQUALIFIED OPINION

FY 2002

1. IRREGULAR DONATIONS FY 2002, 2003

The Committee heard that the Board has for the past several years, incurred irregular expenditure posted as Grants to other Institutions in the Income and Expenditure Account. The irregular expenditure was in respect of donations for Harambees, funeral expenses and hospital bills incurred by the Chief Executive in response to invitations made to him through cards to preside over those functions. During the year under review the Board spent Kshs. 129,000 as Donations under the item of Grants to other Institutions, contrary to the provisions of Section 29(2) of Non-Governmental Organisations Co-ordination Act, 1990. Clearly the Board was in breach of the law and the propriety of the expenditure could not be confirmed.

Committee observations

The Committee observed that –

The Board irregularly incurred an expenditure of Kshs. 129,000 in respect of donations for harambees and funeral expenses contrary to Section 12 of the State Corporations Act, CAP 446.

Committee Resolutions

The committee resolved that disciplinary measures should be taken against the then Chief Executive officer and any other officers responsible for approving and overseeing these irregular expenditures. The Board should conduct an internal investigation to identify those accountable for the misuse of funds.

2. IRREGULAR PAYMENTS TO PUBLIC OFFICERS

The committee heard that during the year ended 30 June 2002 the Board irregularly paid Kshs.240,000 as lunch/sitting allowances to Board Members who were also public officers in receipt of a salary contrary to the provisions of section 10(1) of the State Corporation Act (Cap 446). Apart from the fact that the Board was in breach of the law, no action appears to have been taken to recover the amounts.

Committee Observations

The Committee had deliberated on the issue of irregular payments to public officers in its report for the FY 1997/1998, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

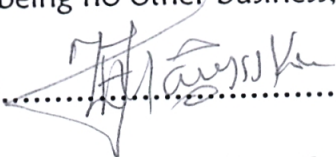
FY 2004,2005,2006,2007

The Board was issued with Unqualified Report

MIN/PIC SSAA/2024/72

ADJOURNMENT

There being no other business, the Chairperson adjourned the sitting at a Half past Noon

Signed..........Date.....4/8/2025.....

Hon. Emmanuel Wangwe CBS, MP – Chairperson

MINUTES OF THE 31ST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON SOCIAL SERVICES, ADMINISTRATION, AND AGRICULTURE HELD ON MONDAY 19TH AUGUST, 2024 AT 11.00 AM AT COMMITTEE ROOM 12 MAIN PARLIAMENT BUILDING.

PRESENT:

- | | |
|--|------------------|
| 1. Hon. Emmanuel Wangwe, CBS, MP | Chairperson |
| 2. Hon. Caleb Amisi Luyai, MP | Vice Chairperson |
| 3. Hon. Martin Peters Owino, MP | |
| 4. Hon. (Dr.) Peter Francis Masara, MP | |
| 5. Hon. Abdi Jehow Fatuma, MP | |
| 6. Hon. Bernard Kibor Kitur, MP | |
| 7. Hon. Michael Wambugu Wainaina, MP | |
| 8. Hon. Bishop (Dr.) Jackson Kipkemoi Kosgei, MP | |
| 9. Hon. Paul Nabuin Ekwom, MP | |

APOLOGIES:

1. Hon. Ferdinand Kevin Wanyonyi, MP
2. Hon. Nixon Nicholas Ngikolong, MP
3. Hon. Mary Wamaua Njoroge, MP
4. Hon. Joshua Kivinda Kimilu, MP
5. Hon. CPA Geoffrey Wandeto, MP
6. Hon. Elijah Njore Kururia, MP

IN ATTENDANCE:

SECRETARIAT

- | | |
|--------------------------|------------------------|
| 1. Mr. Aden Abdullahi | Principal Clerk Ass. I |
| 2. Ms. Christine Mariita | Clerk Assistant III |
| 3. Mr. Enock Manwa | Clerk Assistant III |
| 4. Ms. Mercy Kinyua | Legal Officer |
| 5. Mr. Wesley Abuga | Researcher |
| 6. Mr. Moses Esamai | Audio Officer |
| 7. Mr. Stanley Lagat | Sergeant – At – Arms |
| 8. Ms. Gillian Keter | Intern |

OFFICE OF THE AUDITOR GENERAL

- | | |
|-----------------------|----------------|
| 1. Mr. Dennis Kariuki | Director Audit |
| 2. Mr. David Githinji | DDA-LRA |

INSPECTORATE OF STATE CORPORATION

Mr. Daniel Wambua

AGRO CHEMICAL AND FOOD COMPANY LIMITED

- | | |
|----------------------|-------------------|
| 1. Mr. Ashok Agrawal | Resident Director |
| 2. Mr. Joseph Oduor | Finance |
| 3. Mr. Edwin Owiti | Finance |

MIN/PIC SSAA/2024/50

PRELIMINARIES

The Chairperson called the meeting to order at 11.00 AM thereafter he prayed.

MIN/PIC SSAA/2024/51

SUBSTANTIVE AGENDA: EXAMINATION OF THE
AUDITOR'S GENERAL REPORT OF THE AGRO
CHEMICAL AND FOOD COMPANY LIMITED FOR
THE FINANCIAL YEARS 2015/2016 TO 2020/2021

Mr. Ashok Agrawal Resident Director/CEO of Agro Chemical and Food Company Limited was accompanied by Mr. Joseph Oduor (Finance) and Mr. Edwin Owiti (Finance), appeared before the committee to adduce evidence on the Audited accounts of Agro Chemical and Food Company Limited for the Financial year 2015/2016 to 2020/2021.

FY 2015/2016

Going Concern

The committee heard that although the company made a profit of Kshs. 227,711,344 which reduced its accumulated deficit from Kshs. 6,802,260,465 as at 30 June 2015 to Kshs. 6,574,549,121 as at 30 June 2016, the current liabilities Kshs. 9,042,987,816 however exceeded current assets of Kshs. 1,930,079,620 by kshs. 7,112,908,196 as at 30 June 2016. This situation indicates that the company is facing financial challenges. Therefore the financial statements have been prepared on a going concern basis on the assumption that the company will continue to receive financial support from the Government, creditors and bankers.

Committee Observations

The committee observed as follows

- i) The Committee was concerned that the company has been paying management fees and in particular, it paid kshs. 30,207,376 to Mehta Group in the year ended 30 June 2016 as management fees for having seconded a Chief Executive Officer. This was despite the fact

that the company reported negative working capital of Kshs. 7,112,908,196 as at 30 June 2016 and net loss of Kshs. 227,711,344.

- ii) The accumulated negative equity arose owing to loan interest and the exchange losses on the GoK loans of Kshs. 8,683,963,908 and repayment is beyond the control of the Board and Management. While the Kenya government has offered finance to the company in form of the loan which is yet to be repaid, no dividend has been paid to the government of Kenya over several years while the Mehta Group has over the years received management fees. This implies that the co-shareholder has continued to draw benefits in form of management fees while the Kenya Government has not been drawing any returns in form of dividends. The shareholding and the management arrangement is unfairly drawn and skewed in favour of Mehta Group.
- iii) The Company is currently under the Privatization process and due diligence had been done awaiting approval. However, the process has taken quite some time.
- iv) The Company is technically insolvent.

Committee Resolutions

The committee resolved as follows

That management to submit the following additional information

- i. Historical background of the company since inception to date
- ii. Shareholding status of the Company
- iii. Capital contribution per shareholder
- iv. Management Contract between Agro Chemical and Mentor Group
- v. CR 12

FY 2016/2017

1. Capital works in progress

The Committee heard that the statement of financial position reflects under property, plant and equipment a balance of 2,525,268,847, which includes capital work in progress, of ksh 80,983,897. These capital work in progress, however includes projects worth ksh 13,469,200 which have been terminated for being unviable. Consequently it has not been

possible to confirm the carrying value of property, plant and equipment balance of ksh 2,525,268,847.

Committee Observations

The committee observed that;

- i) The committee observed that capital work in progress for projects worth Kshs. 13,469,200 were terminated after being deemed unviable.
- ii) A feasibility study on the construction of new molasses preparation Station was deemed to have been carried out but eventually upon completion, the cost of implementing the project was way above the budget hence not viable. It was not clear how this translated to inefficiency in terms of cost benefit analysis if at all the feasibility study was genuine and the project was implemented within the timelines.
- iii) The river pump and water clarifier were also terminated.
- iv) The contract documents for the projects were not provided to the committee for review.
- v) The capital work in progress worth Kshs. 13,469,200 is impaired.

Committee Resolutions

The committee resolved as follows

That management to submit the following additional information

- i. The Feasibility study of the terminated projects
- ii. Board approvals
- iii. Contract agreement, LPOS and payment vouchers

2.Tax Matters

The committee heard that in Note 26 to the financial statements on contingent liabilities which indicates that there is a pending demand note from Kenya Revenue Authority of Kshs. 634,644,435 in respect of withholding tax assessment on interest paid to the National Treasury. The Company directors are of the opinion that this demand will be vacated and hence no liability arising.

Committee Observations

- i) The Committee observed that, the matter was deliberated on in the 21st committee report where The National Treasury approved the waiver of withholding tax and exempted the Company from payment of withholding tax on government guaranteed loans in September 27, 2010. However, KRA has not granted the Company letter vacating the demand of the tax.
- ii) The matter had been referred to the Tribunal and judgement for setting aside the withholding tax made in favour of the company. However, there were no documents to show that KRA had vacated the demand.
- iii) The amount in question had been assessed in 2008 and has been pending over the years.

Committee Resolutions

The committee resolved as follows

That management to submit the following additional information

- i. Comprehensive response of the 634 million owed to KRA
- ii. Audit report of 2008 in regard to withholding tax

3. Budget performance and review

The committee was informed that a comparison of budget and actual figures revealed variances. Analysis of the corporations budget against the actual figures revealed that the corporation underspent in all expense categories largely due to the reduced sales activity during the year. The reduction in sales has been attributed to shortage in raw materials. The company needs to seek for new sources of its core raw materials to enhance productivity.

Committee Observations

- i) The Committee observed that, the Company could not achieve the budgeted figures in alcohol production due to lack of molasses necessitating the closure of the alcohol plant.
- ii) The Company had not sought alternative sources of raw materials to enable the plant run at full capacity thus inefficient over the years. The company may have

been deliberately run down with a view to disposing it off at a value below the market price.

- iii) The Committee had deliberated on the going concern issue in its report for 2015/2016, observed and made recommendations thereon with respect the company performance. The Committee upholds the observations and recommendations made thereon.

Committee Resolutions

4.Going Concern

The committee heard that the Company reported a net profit of Kshs.40,799,345 which was attributed to a revaluation surplus of Kshs.281,775,563. The accumulated deficit therefore increased from Kshs.6,574,549,120 as at 30 June 2016 to Kshs.6,815,525,338 as at 30 June 2017. The current liabilities of Kshs.8,907,542,958 also exceeded current assets of Kshs.1,614,005,959 by Kshs.7,293,536,999 as at 30 June 2017. This situation indicates that the company is facing financial challenges. Therefore, the financial statements have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the Government and creditors

Committee Observations

The committee noted that the query appeared in the prior year and was conclusively deliberated upon and therefore upholds the observations and recommendations made therein.

MIN/PIC SSAA/2024/52

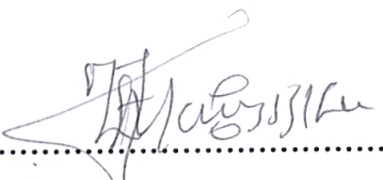
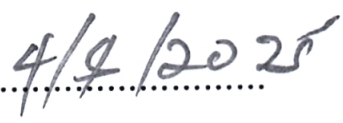
ANY OTHER BUSINESS

The Chairperson informed the committee about Agricultural Development Corporation's letter requesting for a reschedule of its appearance before the committee. The committee was disappointed with the Managing Director's reasons of failure to appear before it, as this was a recurrent excuse given by management since last year. The committee demanded that ADC appear before it on Tuesday 27th August 2024.

MIN/PIC SSAA/2024/ 53

ADJOURNMENT

There being no other business, the Chairperson adjourned the sitting at a quarter past three.

Signed..........Date..........

Hon. Emmanuel Wangwe CBS, MP – Chairperson

- | | |
|----------------------|----------------------|
| 6. Mr. Moses Esamai | Audio Officer |
| 7. Mr. Stanley Lagat | Sergeant – At – Arms |
| 8. Ms. Gillian Keter | Intern |

OFFICE OF THE AUDITOR GENERAL

- | | |
|-----------------------|----------------|
| 1. Mr. Wilson Maiyo | Director Audit |
| 2. Mr. Tom Gaya | P. Audit |
| 3. Mr. David Githinji | DDA-LRA |
| 4. Mr. Jeff Otieno | Senior Auditor |

KENYA ANIMAL GENETIC RESOURCE CENTRE (KAGRC)

- | | |
|------------------------|-----------------------|
| 1. Dr. Benadatte Misoi | Managing Director |
| 2. Ms. Faith Aciita | Head of Corp. Service |
| 3. Mr. Michael Wanyama | Internal Audit |
| 4. Mr. Silas Osundo | Senior Accountant |
| 5. Ms. Naomi Jeptoo | PSCO |

MIN/PIC SSAA/2024/62

PRELIMINARIES

The Chairperson called the meeting to order at 10.30 AM thereafter he prayed.

MIN/PIC SSAA/2024/63

**SUBSTANTIVE AGENDA: EXAMINATION OF THE
AUDITOR'S GENERAL REPORT OF THE KENYA
ANIMAL GENETIC RESOURCE CENTRE (KAGRC)
FOR THE FINANCIAL YEARS 2011/2012 TO
2020/2021**

Dr. Benadatte Misoi the Managing Director of Kenya Animal Genetic Resource Centre (KAGRC) was accompanied by Ms. Faith Aciita (Head of Corp. Service) Ms. Naomi Jeptoo (Procurement), Mr. Silas Osundo (Senior Accountant)and Mr. Michael Wanyama (Internal Audit) appeared before the committee to adduce evidence on the Audited accounts of the Kenya Animal Genetic Resource Centre (KAGRC) for the Financial year 2011/2012 to 2020/2021.

FY 2011/2012

1. Property, Plant and Equipment

The Committee heard that, as disclosed in note 17, property, plant and equipment of Kshs. 188,088,546 excludes the cost of unvalued parcels of land LR.22375 and LR.22387 of approximately 75 and 358 acres respectively located at lower Kabete (next to University of Nairobi, Lower Kabete Campus) for which the Centre has not obtained ownership document. Although the land is developed with investment in buildings with a net value of Kshs. 41,328,566 as well as other developments, information available indicates that the land belongs to the former Ministry of Livestock Development. In addition, the Centre's property, Plant and equipment has not been valued in line the International Accounting Standards No 16. In the absence of the valuation and ownership documents, it has not been possible to confirm that the property, plant and equipment balance of Kshs. 188, 088, 546, as at 30th June 2012 is fairly stated.

Committee Observation

The Committee observed that;

- i) The accounting officer was in breach of;
 - a) Public Finance Management Regulation (National Government) section 139 which requires accounting officers of national government to take full responsibility and ensure proper control systems are in place to safeguard the assets and;
 - b) The International Accounting Standards (IAS 16) which require entities to disclose sufficient, relevant and representationally faithful information about property, plant and equipment to enable users of its financial statements to understand and evaluate the effect property, plant and equipment has on the financial position, financial performance and cash flows of the entity.
- ii) The accounting officer failed to include in the financial statements the value of parcels of land LR.22375 and LR.22387 of approximately 75 and 358 acres respectively due to lack of ownership documents.
- iii) The Centre has not carried out valuation of the parcels of land land LR.22375 and LR.22387 of approximately 75 and 358 acres respectively

- iv) The Centre had developed the land with investment in buildings with a net value of Kshs. 41,328,566 as well as other developments though the land belongs to the former Ministry of Livestock Development.

Committee Resolutions

The committee Resolved that management be granted more time to reconcile their ownership documents and submit a detailed response to the office of the auditors for further verification and report the findings to the Committee.

2.Cash and Bank Balance and Statement of Cash Flow

The Committee heard that the cash and bank balance of Kshs 918,711 as at 30 June 2012 includes bank statement balances which the Centre's management used while preparing the financial statements instead of the reconciled cash book balance. In addition, the balance is net of Kshs 382,853 being overdrawn cash book balance of the Centre's operations account. The net off is contrary to the requirements of the International Accounting Standards No. 1 paragraph 32 which requires that assets and liabilities should not be offset against each other except when offsetting reflects the substance of the transaction. Further the management did not include movement in changes on working capital items in the statement of cash flows. In the circumstances, the accuracy of the cash and bank balance of Kshs 918,711 as currently reported could not be confirmed.

Committee Observation

The Committee observed that;

- i) The management of KAGRC used bank statement balances when preparing financial statement instead of the reconciled cash book balance.
- ii) Cash and bank balance of Kshs. 918,711 as at 30th June 2012 is net of overdrawn cashbook balance of Kshs. 382,853. This is contrary to the requirements of the International Accounting Standards No. 1 paragraph 32 which requires that assets and liabilities should not be offset against each other excepts when offsetting reflects the substance of the transaction.
- iii) The management failed to include movement in changes on working capital items in the cashflow statement.
- iv) There was no evidence to support the claim by management that the cashbook was corrected in the subsequent financial year and that movement on changes in working

capital items were included in the statement of cashflows used. The correction/restatement was also invalid in the absence of prior year adjustments

Committee Resolutions

The committee resolved as follows

That KAGRC management to submit Asset Register between FY 2011/2012 to 2016/2017 and 2017/2018 to 2020/2021.

FY 2012/2013

1. Property, Plant and Equipment

1. The Committee heard that, as reported in the previous year, and as disclosed in Note 17 to the financial statements for the year ended 30th June 2013 property, plant and equipment balance of Kshs. 176, 042, 765 excludes the cost of unvalued seven (7) parcels of land, as detailed below, for which Centre has not obtained ownership documents. In addition, the Centre's property, plant and equipment has not been valued as at 30th June 2013, contrary to International Accounting Standards No. 16. Consequently, it has not been possible to confirm that property, plant and equipment balance as 30th June, 2013 is fairly stated.

Committee Observations

The Committee observed that;

- i) The accounting officer was in breach of;
 - a) Public Finance Management Regulation (National Government) section 139 which requires accounting officers of national government to take full responsibility and ensure proper control systems are in place to safeguard the assets and;
 - b) The International Accounting Standards (IAS 16) which require entities to disclose sufficient, relevant and representationally faithful information about property, plant and equipment to enable users of its financial statements to understand and evaluate the effect property, plant and equipment has on the financial position, financial performance and cash flows of the entity.

- ii) The Accounting officer failed to include seven (7) parcels of land in the financial statement due to lack of ownership documents. Further, the Centre had not carried out valuation of the said seven (7) Parcels of land measuring 168.82 hectares located across the country.

2. Financial Performance

The committee was informed that during the year under review, the Centre recorded a loss of Kshs 22,798,845 (2011-2012- Kshs 3,044,465) and thereby reducing revenue reserves to negative Kshs 25,843,310 as at 30 June 2013. In the absence of clear strategies put in place to increase revenue generation and minimize operation costs in a sustainable manner, the Centre is likely to face serious financial difficulties in future.

Committee observation

The Committee observed that;

- i) The Centre had explored strategies to increase revenue generation or minimize operational costs in a sustainable manner. However, there was no evidence of implementation of these strategies to reverse the negative financial trend and sustain its operations in the long term.
- ii) The Centre recorded a substantial loss of Kshs 22,798,845 for the year under review, a considerable decline in performance from the previous year's loss of Kshs 3,044,465 thus worsening financial performance. The ongoing financial losses and negative reserves could lead to liquidity challenges, inability to meet operational expenses, and potential insolvency.

Committee Resolutions

The committee resolved as follows

- i. The Committee resolved that the Centre to urgently develop and implement a comprehensive strategy to enhance revenue generation. This strategy should explore new revenue streams, optimize existing services, and leverage partnerships to improve the Centre's financial sustainability.
- ii. The Committee resolved that management to implement a robust financial monitoring and reporting framework. This framework should include regular

financial reviews, performance analysis, and variance reporting to ensure that financial targets are met, and deviations are addressed promptly.

FY 2013/2014

Property, Plant and Equipment

Committee Observations

The Committee observed that;

The Committee had deliberated on the issue of Property, Plant and Equipment in its report for 2012/2013, observed and made recommendations thereon with respect to the centre's Property, Plant and Equipment. The Committee upholds the observations and recommendations made thereon.

FY 2014/2015

Property, Plant and Equipment

Committee Observations

The Committee observed that;

The Committee had deliberated on the issue of Property, Plant and Equipment in its report for 2012/2013, observed and made recommendations thereon with respect to the centre's Property, Plant and Equipment. The Committee upholds the observations and recommendations made thereon.

2.Receivables

The committee heard that Included in the receivables balance of Kshs 27,584,251.00 as at 30 June 2015 are staff imprest balances of Kshs 223,954.00 of which an amount of Kshs 156,100.00 has not been surrendered or accounted for over three months , with some as old as 18 months. The receivables balance of Kshs 27,584,251.00 also includes other debtors totaling Kshs 22,752,845.00 out of which Kshs 6,448,860.00 relates to debts outstanding for over 120 days. Any provision that would have been necessary in relation to these uncertainties has not been incorporated in these financial statements.

Committee Observations

The Committee observed that;

- i) Staff imprest amounting to Kshs. 156,100.00 were not surrendered for over three months, with some as old as 18 months contrary to Regulation 93(5) of the PFM (National Government) Regulations 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station.
- ii) The Centre failed to incorporate in its financial statements a provision for bad and doubtful debts.

Committee Resolutions

The Committee resolved that management to take immediate steps to recover all outstanding staff imprests, especially the Kshs 156,100.00 that has remained unaccounted for over three months. Failure to surrender or account for these funds within a specified time frame should lead to disciplinary action or salary deductions to recover the amounts.

FY 2015/2016

1. Property, Plant and Equipment

2. The Committee heard that, as reported in previous years, and disclosed in Note 17 to the financial statements, the property, plant and Equipment balances of Kshs 476,432,822 as at 30th June 2016 excludes the value of seven (7) unvalued parcels of land measuring 168.082 hectares (as listed below) which the Centre has not obtained ownership documents. Consequently, it has been possible to confirm whether the carrying values as stated in the financial statements reflect the fair values of the property, Plant and equipment as at 30th June 2016.

The Committee observed that;

The Committee had deliberated on the issue of Property, Plant and Equipment in its report for 2012/2013, observed and made recommendations thereon with respect to the centre's Property, Plant and Equipment. The Committee upholds the observations and recommendations made thereon.

2. Receivables

The committee heard that As also reported in the previous year, the receivables balance of Kshs 27,978,357 as at 30 June 2016- reflected in the statement of financial position includes other debtors totaling Kshs 22,766,853 out of which Kshs 4,083,060 relates to debts outstanding for over 120 days. Any provision that would have been necessary in relation to these uncertainties has not been incorporated in these financial statements.

Committee Observations

The Committee observed that

The Centre failed to incorporate in its financial statements a provision for bad and doubtful debts.

Committee Resolutions

The committee resolved as follows

That management to submit the following additional information

- i. List of the prequalified Legal Officers
- ii. Advert made to procure legal services
- iii. List of Debtors that management felt that they may not recover from

FY 2016/2017

1. Property, Plant and Equipment

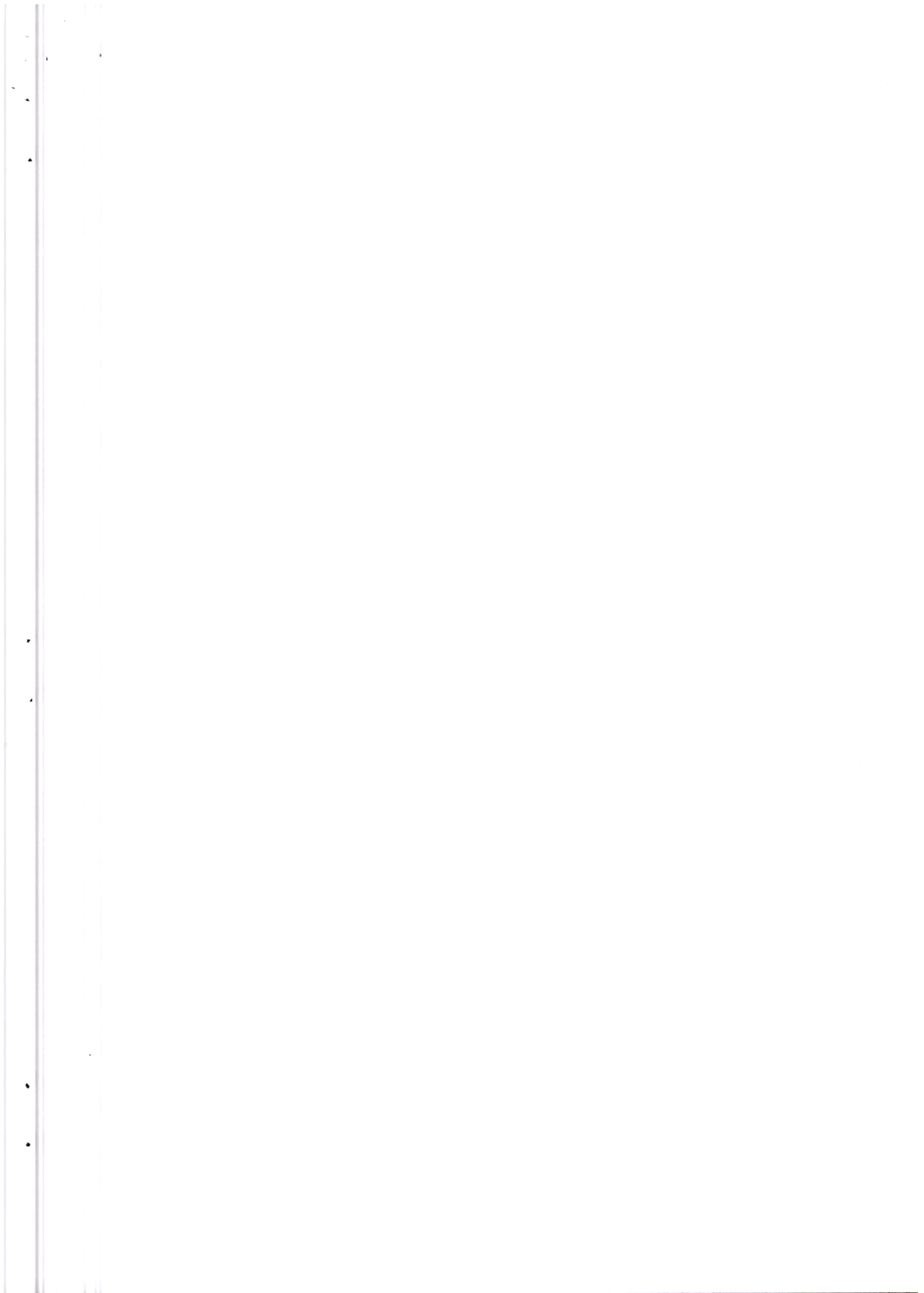
Committee Observations

The Committee observed that;

The Committee had deliberated on the issue of Property, Plant and Equipment in its report for 2012/2013, observed and made recommendations thereon with respect to the centre's Property, Plant and Equipment. The Committee upholds the observations and recommendations made thereon.

2. Receivables

The committee was informed that the statement of financial position as at 30 June 2017 reflects receivables from exchange transactions balance of Kshs. 29,007,899. The amount includes receivables from KAGRC Agents of 24,805,490 out of which Kshs.7,772,900 relates to debts outstanding for over 120 days. Further, included in the above Kshs. 7,772,900 is an amount of Kshs. 3,680,758, which has remained outstanding for over a year. No provision has been made in the books for non-recovery of these long outstanding



amounts. The receivables balance of Kshs.29,007,899 as at 30 June, 2017 is therefore, not fairly stated.

Committee Observation

The committee noted that the matter had been deliberated in the prior year and therefore upholds the observations and resolutions therein.

3. Payables

The Committee was informed that the Statement of financial position reflects a balance of Kshs 144,912,306 under trade and other payables from exchange transactions. Included in the amount of Kshs 144,912,306 and as disclosed under Note 15 to the financial statements is an amount of Kshs 64,382,868 described trade payables, which includes trade payables totaling Kshs. 40,295,136 that have been outstanding for over a year. No. satisfactory reason has been given for failure by the Centre to settle the long outstanding amounts.

Committee Observation

The Committee observed that;

- i) The trade and payables amounting to Kshs, 40,295,136.00 had been outstanding for over a year.
- ii) The Accounting officer was in breach of Section 53 (8) of the Public Procurement and Assets Disposal Act CAP. 412C which prohibits the commencement of any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in the approved budget estimates.
- iii) The Centre had trade payables amounting to Kshs, 40,295,136.00 that have been outstanding for over one year.

Committee Resolutions

The committee resolved as follows

- i. The Committee resolved that management to develop and implement an immediate payment plan to settle the outstanding trade payables, particularly the Kshs 40,295,136 that has been unpaid for over a year. The plan should prioritize the most critical payables and ensure that obligations are met promptly to restore the Centre's financial standing.
- ii. Further management to submit the following as additional information
 - Approved procurement budget for Financial Years 2015/2016 to 2017/2018

FY 2017/2018

1. Property, Plant and Equipment

The Committee observed that;

The Committee had deliberated on the issue of Property, Plant and Equipment in its report for 2012/2013, observed and made recommendations thereon with respect to the centre's Property, Plant and Equipment. The Committee upholds the observations and recommendations made thereon.

2. Receivables from Exchange Transactions

The Committee was informed that the statement of financial position as at 30 June 2018 reflects receivables from exchange transactions balance of Kshs 39,612,847. The amount includes receivables from KAGRC Agents of Kshs 37,612,847 out of which Kshs 8,175,188 relates to debts outstanding for over 120 days. Further, included in the above Kshs 8,175,188 is an amount of Kshs 7,383,657 which has remained outstanding for over a year. No specific provision has been made in the books for non-recovery of these long outstanding amounts.

In addition, the amount of Kshs 39,612,847 includes receivables from KAGRC Agents who had exceeded their credit limits by Kshs 11,205,625 and sales to agents without credit limits and or contracts amounting to Kshs 15,434,519. No satisfactory reason has been given for failure by the Centre to observe the set credit limits. No specific provisions have been made in the books against non-recovery of these debts.

Consequently, the recoverability in full of the receivables from exchange transactions balance of Kshs. 39,612,847 is doubtful.

Committee Observation

The Committee observed that;

- i) Receivable balance amounting to 8,175,188 relates to debts that had been outstanding for over 120 days from KAGRC Agents.
- ii) Receivables amounting to 11,205,625 relates to Agents who had exceeded their credit limits. Further receivables amounting Kshs. 15,434,519 relates to agents without credit limits and or contracts
- iii) The Centre failed to incorporate in its financial statements a provision for bad and doubtful debts.

Committee Resolutions

- i. The Committee resolved that all agents to operate under formal contractual agreements that specified credit terms and conditions. These contracts to be regularly reviewed and updated to ensure that they reflect current business practices and risk management standards.
- ii. That management to submit their credit policy.

3. Payables

The Committee heard that the statement of financial position reflects a balance of Kshs. 152,911,409 under trade and other payables from exchange transactions. As disclosed in Note 20 to the financial statements, the balance includes an amount of Kshs. 77,137,287 described as trade payables. Included in trade payables, is an amount of Kshs. 9,877,529 that has been outstanding for over a year. No satisfactory reason has been given for failure by the Centre to settle the long outstanding amount.

Committee Observation

The committee noted that the matter had been deliberated in the prior year.

4. Biological Assets

The Committee heard that the statement of financial position as at 30 June 2018 and as disclosed in Note 19 to the financial statements reflects a balance of Kshs 9,785,351 under biological assets. However, the balance does not include an amount of Kshs. 1,058,000 disclosed in the assets register as biological assets related to trees. No satisfactory reason has been given for failure by the Centre to include the amount of Kshs. 1,058,000 in the statement of financial position. As a result, the completeness and accuracy of the balance of Kshs 9,785,351 cannot be confirmed.

Committee Observation

The Committee observed that trees valued at Kshs 1,058,000 were excluded from the statement of financial position as at 30 June 2018 under biological assets contrary to IPSAS 27 which requires biological assets to be recognized at fair value. The accuracy of the financial statements prepared by the Centre was doubtful and the Centre's asset management controls, tracking and reporting was weak.

Committee Resolutions

The Committee directed management to conduct a thorough reconciliation between the asset register and the financial statements to ensure that all biological assets are accurately

reflected, and any discrepancies between the two records to be identified and corrected promptly and submit the findings to the office of the Auditor General for verifications.

MIN/PIC SSAA/2024/64

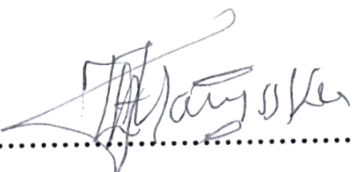
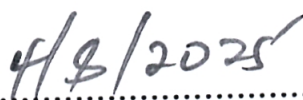
ANY OTHER BUSINESS

The Chairperson tasked management to submit all additional information within two weeks.

MIN/PIC SSAA/2024/65

ADJOURNMENT

There being no other business, the Chairperson adjourned the sitting at a quarter past three noon.

Signed..........Date..........

Hon. Emmanuel Wangwe CBS, MP – Chairperson

MINUTES OF THE 73RD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON SOCIAL SERVICES, ADMINISTRATION, AND AGRICULTURE HELD ON TUESDAY 5TH OCTOBER, 2023 AT COMMITTEE ROOM 7, PARLIAMENT BUILDINGS AT 9:00 AM.

PRESENT:

- | | |
|--|------------------|
| 1. Hon. Emmanuel Wangwe, CBS, MP | Chairperson |
| 2. Hon. Caleb Amisi Luyai | Vice Chairperson |
| 3. Hon. Ferdinand Kevin Wanyonyi, MP | |
| 4. Hon. Nixon Nicholas Ngikolong, MP | |
| 5. Hon. (Dr.) Peter Francis Masara, MP | |
| 6. Hon. Abdi Jehow Fatuma, MP | |
| 7. Hon. Geoffrey Wandeto, MP | |
| 8. Hon. Joshua Kivinda Kimilu, MP | |
| 9. Hon. Michael Wambugu Wainaina, MP | |

APOLOGIES:

1. Hon. Martin Peters Owino, MP
2. Hon. Mary Wamaua Njoroge, MP
3. Hon. Bernard Kibor Kitur, MP
4. Hon. Bishop Emeritus (Dr.) Jackson Kipkemoi Kosgei, MP
5. Hon. Elijah Njore Kururia, MP
6. Hon. Paul Nabuin Ekwom, MP

IN ATTENDANCE:

SECRETARIAT

- | | |
|-----------------------|------------------------------|
| 1. Mr. Aden Abdullahi | Principal Clerk Assistant II |
| 2. Mr. Mark Namaswa | Clerk Assistant III |
| 3. Ms. Mercy Kinyua | Legal Counsel |
| 4. Mr. Thomas Ogwel | Fiscal Analyst |
| 5. Ms. Lily Cherotich | Communication Officer |
| 6. Mr. Moses Esamai | Audio Officer |
| 7. Mr. Kevin Ojiambo | Media Officer |
| 8. Mr. Benson Muthuri | Sergeant – At – Arms |
| 9. Mr. Derrick Omondi | Intern |

MOI TEACHING AND REFERRAL HOSPITAL

- | | |
|--------------------------------|---------|
| 1. Dr. Wilson Aruasa, MBS, CBS | CEO |
| 2. Mr. Thomas Ngetich | Finance |
| 3. Mr. Julius Oraro | DMSC |

4. Mr. Daniel Rotich

DFM

OFFICE OF THE AUDITOR GENERAL/INSPECTORATE OF STATE CORPORATIONS

- | | |
|--------------------------|-------------------|
| 1. Mr. Jackson Musheba | Principal Auditor |
| 2. Mr. David W. Githinji | PA – LRO |
| 3. Mr. Frederick Awuonda | Principal Auditor |

MIN/PIC SSAA/2023/90

PRELIMINARIES

The Chairperson called the meeting to order at 10:00 am followed by a word of prayer from Hon. Wambugu Wainaina, MP.

MIN/PIC SSAA/2023/ 91

MEETING THE MOI TEACHING AND REFERRAL

HOSPITAL TO CONSIDER THE AUDITOR-

GENERAL REPORTS ON THE ACCOUNTS OF

MTRH FINANCIAL YEARS 2015/2016, TO 2020/2021

Dr. Wilson Aruasa (CEO- MTRH) accompanied by Mr. Thomas Ngetich (Director-Finance), Mr. Julius Oraro (Assistant Finance Manager), and Mr. Daniel Rotich (Assistant Finance Manager), appeared before the Committee to adduce evidence on the status of MTRH.

FY 2015/2016

PROPERTY, PLANT AND EQUIPMENT

1.1 Land

The Committee was informed that as reported in the previous year, included in the Property, Plant and Equipment balance of Kshs.1,843,754,507 as at 30 June 2016 is Uasin Gishu Memorial Hospital land valued at Kshs. 71,037,687. However, the ownership of Uasin Gishu Memorial Hospital land is subject to a Court case between the hospital and the former directors of the hospital. Although the hospital management has explained that the Constitutional Court to which the case was referred to ruled in favour of Moi Teaching and Referral Hospital on 10 March 2010, the former directors appealed against the judgment and the matter has since been pending in the High Court for the last six years. Consequently, until the appeal is heard and determined, the ownership status of the land valued at kshs. 71,037,687 included in property, plant and equipment figure of kshs. 1,843,754,507 as at 30 June 2016 could not be confirmed. Further, it has not been possible to confirm the extent of impairment of the value on the property, if any, due to the dispute.

Committee's Observations

The Committee observed that;

- i) The audit issue had been addressed in the 21st Public Investment Committee report where it was recommended that the hospital should expedite the hearing and conclusion of the Court case and to ensure that its assets are registered in the hospital's name.
- ii) The case is still pending in court of appeal and the issue had been forwarded to the National Land Commission for appropriate determination.
- iii) The ownership status of the land valued at Kshs. 71,037,687 cannot be established till the court case is concluded.

Committee Resolved as follows

- i. That MTRH provide copies and details of pleadings made in court concerning the land tussle for the Committee to deliberate the way forward.

1.2 Supply Delivery and installation of patient monitors

The Committee was informed that the Property, Plant and Equipment balance of Kshs. 1,843,754,507 as at 30 June 2016 includes an amount of Kshs. 17,600,000 in respect of acquisition of eight (8) patient monitors. An order of eight (8) patient monitors was issued on 23 July 2015 through L.P.O. No. 09854. The monitors were delivered and installed on 31 October 2015 and full payments done on 2 June 2016 vide cheque No.029511 and 029153. However, information available indicate that the monitors were not procured through open tender and no valid contract signed between the hospital and the supplier was availed for audit verification. Although management has explained that the patient monitors were procured under a framework contract with the supplier, a review of the contract signed on 20 June 2014 indicates that the contract was for supply of two (2) patient monitors and the duration of the contract was two (2) weeks. It is therefore evident that the procurement of the eight (8) monitors was not covered under the contract.

Under the circumstances, the procurement of the eight monitors was irregular and therefore the propriety of the Expenditure totaling Kshs. 17,600,000 could not be confirmed for the year ended 30 June 2016.

Committee Observations

The Committee observed that;

- i) The monitors were not procured through open tender contrary to the requirements of Article 227 of the Constitution, which states that when a state organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that fair, equitable, transparent competitive and cost effective and Section 91 (1) of the Public Procurement and assets Disposal Act 2015 CAP 412C which requires open

tendering shall be the preferred procurement method for procurement of goods, works and services

- ii) The Hospital did not provide a valid contract agreement signed between it and the supplier for audit verification.
- iii) There was no justification to circumvent procurement law and the conditions prescribed for using procurement methods other than the preferred open tender were not fulfilled. It was not demonstrated why the hospital did not procedurally renew the contract.

Committee Resolved as follows

- i. That MTRH to provide copies of the approval letter that allowed for the procurement of the monitors and expenditure.

1.3 Irregular procurement of 16 slice CT scan

The Committee was informed that the hospital tender committee sitting on 5 June 2015 awarded a tender for the supply, delivery, and installation and commissioning of sixteen (16) slice CT scan to a medical equipment supplier at a sum of Kshs. 52,890,000. However, citing lack of funds, the management on 12 October 2015 rescinded the decision by the tender committee and resorted to a hire purchase arrangement with the supplier at a cost of kshs. 64,742,649. Available information indicate that although the contract for the supply of the equipment was signed on 25 June 2015, Treasury approval for use of hire purchase method was requested on 7 September 2015 and granted on 30 September 2015 meaning that the request for approval to use hire purchase method was sought and granted long after the contract was signed.

Committee's Observation

The Committee observed that;

- i) The procurement of 16 slice CT scan was to cost Kshs.52,890,000. However, the management, by rescinding the decision by the tender committee and resorting to a hire purchase arrangement, incurred Kshs.64,742,649, resulting in to an extra cost of Kshs. 11,852649.
- ii) The Accounting officer was in breach of Section 53 (8) of the Public Procurement and Assets Disposal Act CAP. 412C which prohibits commencement of any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in the approved budget estimates.
- iii) The contract for the supply of the equipment was signed on 25th June 2015, while the Treasury approval for use of hire purchase method was requested on 7th September

2015 and granted on 30th September, 2015 meaning that the request for approval to use hire purchase method was sought and granted long after the contract was signed.

Committee Resolutions

The Committee resolved as follows;

- i. MTRH to provide a budget figure for the year 2014/2015 set aside for the purchase of 16 CT scan machines.
- ii. include the reasons why MTRH rescinded the decision by the Tender Committee to award a tender for the supply, delivery, installation and commissioning of sixteen (16) Slice CT Scan to a medical equipment supplier at a sum of Kshs.52, 890,000 and instead resorted to a hire purchase arrangement with the supplier at a cost of Kshs.64,742, 649 and the hospital budgetary allocation for the financial year 2014/2015

1.4 Procurement of computers and computer accessories

The Committee was informed that during the year under review, the hospital procured computers and computer accessories totaling Kshs.12,863,358 from a supplier. The advertisement for the supplies indicated that the procurement was under two-year framework contracting arrangement from 1 July 2014 to 30 June 2016. However, a review of the procurement records indicate that the tender document did not specify the period of the contract and the total minimum and maximum quantity as required by Public Procurement and Oversight Authority circular No.6/2010 of 18 June 2010. Further, no reason was provided for using framework contract in procurement of computers and computer accessories whose quantity is definite. In addition, the contract agreement signed between the hospital and the supplier was not availed for audit review.

Consequently, the propriety of the expenditure totaling Kshs.12,863,358 incurred on purchase of computers and computer accessories could not be confirmed for the year ended 30 June 2016.

Committee's Observations

- i) The management was in breach of Public Procurement and Oversight Authority circular No.6/2010 of 18th June 2010 which requires the tender to specify the contract period and total minimum and maximum quantities required.
- ii) The hospital was exposed to the risk of manipulation of expenditures related to the acquisition of computers and computer accessories where the period of the contract and the total minimum and maximum quantity in procurement under the two-year framework contracting were not specified.
- iii) MTRH irregularly used framework contracting while procuring computers and computer accessories given that the quantities were definite and known.

iv) The Hospital did provide signed contract agreement between them and the Supplier.

Committee Resolutions

- i. That MTRH to avail a detailed contract agreement that was signed with the supplier contracted for the procurement of computers and computer accessories.

2.0 Project Cost

2.1 Integrated Hospital Management Information System

The Committee heard that the Project cost balance of Kshs.30,712,238 as at 30 June 2017 as disclosed at note 3 to the financial statements includes a balance of Kshs.15,902,531 being payments made to a supplier in respect of procurement of Integrated Hospital Management Information System (HMIS) software.

Committee's observations

The Committee observed

Although the supplier was paid a total of Kshs.15,902,631 equivalent to 80% of the total contract sum, management did not avail certificates of work done and handing over report of the system in support of the payments. The project is yet to be commissioned.

Committee Resolutions

That It was still not recommended to adopt free software due to data breach and storage concerns.

TRADE AND OTHER RECEIVABLES

3.1 Corporate Client Debtors

The Committee was informed that As previously reported, included in the trade and other receivables balances of Kshs.1,141,420,922 as at 30 June 2016 is corporate client debtors of Kshs.496,181,806 as disclosed in Note 7.2 to the financial statement out of which Kshs.184,252,397 relates to 2014/2015 and prior years. Although the management has demonstrated some efforts made at debt recovery, however not much has been achieved. Consequently, the recoverability of corporate debts could not be confirmed.

3.2 Individual Client Debtors

The Committee was informed that Trade and Other Receivables balance of Kshs.1,141,420,922 also includes individual client debtors' balance of Kshs.494,355,041. As previously reported the debts were secured with ID cards, commitment letters and title deeds and out of which an amount of Kshs.424,274,901 related to the years 2002 to 2010. Since these debts were secured with very weak collateral, the possibility of their collectability appears remote. Delay in collection of these debts may affect the cash flow position and adversely affects the operations of the hospital. In the circumstance, recoverability of these long outstanding debts is doubtful and as a result it has not been

possible to ascertain if the trade and other receivable balance of Kshs.1,141,420,922 is fairly stated.

3.3 Medical Service Providers Debtors

The Committee was informed that As reported in the previous year, the debtors balance of Kshs.1,141,420,922 include amounts owed by two medical service providers amounting to Kshs.20,138,821 and Kshs.68,778,269 respectively in respect of the contractual arrangements entered into with the hospital to provide medical care to employees of the hospital. The claims have been outstanding long after contracts with the service providers availed for audit review, it was evident that the amounts owed were contested by the firms and therefore the recoverability of the balance of trade and other receivables of Kshs. 88,917,090 could not be confirmed.

Committee's Observations

- i) The Committee observed that in the 21st PIC Report the following recommendations were made;
 - a) The CEO and the Finance Manager ensure that the Hospital makes aggressive follow-up to collect all recoverable debts both corporate and individual to enhance financial growth and cash flow for the Hospital to meet its commitments and provide continuous service delivery.
 - b) The CEO and the Finance Manager should undertake an analysis of all debts and reviews the current policies governing management of debts to establish areas of weaknesses, recommend a prudent debt management system, debt restructuring and to seek Board approval to write-off unrecoverable debts.
 - c) The CEO ensures that the credit policy is stringently enforced to minimize exposure to bad debts; and
 - d) The Hospital should maintain an acceptable level of risk by vetting clients' applications for credit and review credit worthiness of new and existing clients.
- ii) Though the issues on trade and other receivables relating to Corporate Clients' debtors, individual clients' debtors, and medical service providers debtors had been addressed in the 21st PICs and recommendations, its reoccurrence implies that the recommendations therein have not been implemented.

Committees Resolutions

- i. That MTRH provide the annexes that indicate how much Pioneer owes it (it has been subject of litigation with Moi Teaching and Referral Hospital Vs. Alexander Forbes Healthcare)

TRADE PAYABLES

4.1 Long outstanding Payables

The Committee heard that Included in the Trade and Other Payables balance of Ksh.373,197,990 as at 30 June 2016 is payables amounting to Kshs.41,725,941 which have been outstanding for over one year. Although the management has explained that lack of proper documentation from the firms has contributed to delay in setting the claims no evidence has been provided to show measures being taken to resolve this issue. As a result, the validity, accuracy and completeness of the figure for trade and other payables of Kshs.373,197,990 as at 30 June 2016 could not be confirmed.

Committee's observations

- i) The Committee noted that payables amounting to Kshs.41, 725,941 had been outstanding for over one year on account of lack of documentation for creditors.
- ii) The management claim that the delay is due to lack of documentation was not supported by any documentary evidence.
- iii) The delay in settlement of the payables e exposes the hospital to the risk of incurring additional costs related to interest, penalties and litigation.
- iv) The Hospital has taken too long to conclude reconciliation with its supplier to facilitate the settlement of the payables.

Committee Resolutions

The Committee resolved that;

- i. MTRH should surrender monies it claims it cannot trace owners to the Unclaimed Financial Assets Authority (UFAA).
- ii. MTRH to provide a detailed response on the progress made by the hospital in settling the claims by the suppliers.

4.2 Unremitted Payroll Deductions

The Committee heard that Note 8.5 to the financial statements reflect Kshs.462,947,925 in respect of payroll deductions which include an amount of Kshs.112,102,532 deducted from payroll between May and prior months that had not been remitted to the respective entities. No explanation was provided for non-remittance of these deductions as required by section 19 (4) of Employment Act 2007. The hospital management is therefore in breach of the law and the failure to remit these deductions may attract penalties.

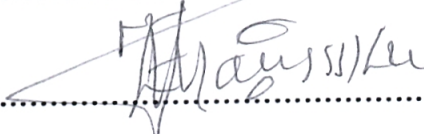
Committee's observations

The management failed to remit Kshs.112, 102,532 deducted from payroll contrary to section 19 (4) of Employment Act 2007. The hospital risked paying fines and penalties for the delay in remitting the payroll deductions which could be avoided.

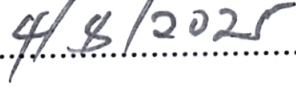
MIN/PIC SSAA/2023/92

ADJOURNMENT

There being no other business, the Chairman adjourned the sitting at 1:30 PM. The next meeting with MTRH has been scheduled for Tuesday 24th, October 2023.

Signed.....

Hon. Emmanuel Wangwe CBS, MP – Chairperson

Date.....

MINUTES OF THE 76TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON SOCIAL SERVICES, ADMINISTRATION, AND AGRICULTURE HELD AT COMMITTEE ROOM 7, ON TUESDAY 24TH OCTOBER, 2023 AT 9.00AM.

PRESENT:

- | | |
|--|------------------|
| 1. Hon. Emmanuel Wangwe, CBS, MP | Chairperson |
| 2. Hon. Caleb Amisi Luyai, MP | Vice Chairperson |
| 3. Hon. Martin Peters Owino, MP | |
| 4. Hon. CPA Geoffrey Wandeto, MP | |
| 5. Hon. Bishop (Dr.) Jackson Kipkemoi Kosgei, MP | |
| 6. Hon. (Dr.) Peter Francis Masara, MP | |
| 7. Hon. Bernard Kibor Kitur, MP | |
| 8. Hon. Abdi Jehow Fatuma, MP | |
| 9. Hon. Joshua Kivinda Kimilu, MP | |
| 10. Hon. Nixon Nicholas Ngikolong, MP | |

APOLOGIES:

1. Hon. Ferdinand Kevin Wanyonyi, MP
2. Hon. Mary Wamaua Njoroge, MP
3. Hon. Paul Nabuin Ekwom, MP
4. Hon. Michael Wambugu Wainaina, MP
5. Hon. Elijah Njore Kururia, MP

IN ATTENDANCE:

SECRETARIAT

- | | |
|--------------------------|------------------------------|
| 1. Mr. Aden Abdulahi | Principal Clerk Assistant II |
| 2. Mr. Mark Namaswa | Clerk Assistant III |
| 3. Ms. Christine Mariita | Clerk Assistant III |
| 4. Mr. Derrick Omondi | Intern |
| 5. Mr. Moses Esamai | Audio Officer III |
| 6. Mr. Kevin Obilo | MRO |

7. Mr. Noah Chemweno

Sergeant – At – Arms

OFFICE OF THE AUDITOR GENERAL

1. Mr. Jackson Musheba P.A
2. Mr. Fredrick Awuonda P.A
3. Mr. David Githinji PA -LRO

INSPECTORATE OF STATE CORPORATIONS

Mr. George Ombua

NATIONAL TREASURY

Mr. Wendy Nguyu

MOI TEACHING AND REFERRAL HOSPITAL

1. Dr. Wilson Aruasa, MBS, CBS CEO
2. Mr. Thomas Ngetich Finance
3. Mr. Julius Oraro DMSC
4. Mr. Daniel Rotich DFM

MIN/PIC SSAA/2023/ 97

PRELIMINARIES

The Chairperson called the meeting to order at 9.30 Am thereafter he said a word of prayer.

MIN/PIC SSAA/2023/98

**SUBSTANTIVE AGENDA: EXAMINATION OF THE
AUDITOR GENERAL REPORT OF THE MOI
TEACHING AND REFERRAL HOSPITAL FOR THE
FINANCIAL YEAR 2015/2016 TO 2021/2022**

Dr. Wilson Aruasa , MBS,CBS (CEO MTRH), was accompanied by Mr. Thomas Ngetich (Finance), Mr. Julius Oraro (DMSC) and Mr. Daniel Rotich (DFM) , appeared before the committee to adduce evidence on the audited accounts of Moi Teaching and Referral Hospital.

FY 2015/2016

5. Operational Cost

The committee was informed that the Operational Costs of Kshs.492,631,031 as disclosed in the financial statements is an amount of Kshs. 29,582,330 paid out in form of imprests

to staff for the purpose of procurement of goods for maintenance of buildings, plant and computerization expenses. However, no approved work plans were provided for audit review to confirm the nature of the works that were undertaken and their cost estimates. Consequently, the propriety of the expenditure of Kshs 29,582,330.00 could not be confirmed.

Committee's observations

- i) There were no approved work plans to confirm the nature of the works that were undertaken and their cost estimates. Further, there were no procurement records inform of tender committee approvals, quotations, evaluation minutes and inspection and acceptance reports and therefore the propriety of the expenditure was not confirmed.
- ii) The claim that old infrastructures, aging machines and equipment in place then, necessitated urgent purchases was not a sufficient reason breach of the procurement procedures set out in Section 103 of the Public Procurement and Asset Disposal Ac, 2015 CAP 412C on direct procurement.

Committee Resolution

The committee resolved as follows

That MTRH management submit a delivery note signed and stamped by the store manager indicating when the goods and services were delivered.

6.0 Irregular Payment of Allowances

The committee was informed that personal emoluments of Kshs. 4,387,265,162 as disclosed in the financial statements is allowances of Kshs. 65,443,838 paid to officers of the Hospital. Although management has explained that the payment of these allowances was approved by the Board in 2002, it has not indicated action taken to have the same regularized by the Salaries and Remuneration Commission (SRC). The expenditure of Kshs 65,443,838.00 is therefore irregular.

Committee's observations

The Committee observed that –

- i) The payment of allowances amounting to Kshs.65, 443,838 paid to employees was contrary to requirement the Salaries and Remuneration Commission Act, CAP 412 D.

ii) The expenditure of Kshs.65, 443,838 in respect of allowance paid to officers was incurred without budget contrary to Section 12 of the State Corporations Act, 2015 which provides that no corporation shall without the prior approval in writing of the Minister and the Treasury incur any expenditure for which provision has not been made in annual estimates.

Committee Resolution

The committee resolved as follows

That MTRH management to submit board minutes and resolution in regard to the payment of the allowances.

OTHER MATTER

1. 0 Officer Earning less than a third basic Pay.

The committee was informed that four hundred and fourteen (414) officers of the hospital earned net salaries of less than a third of their respective basic salaries for between six and twelve months.

Committee's observations

The Committee observed that –

The then accounting officer was in breach of Section 19(3) of the Employment Act, 2007 which requires that the total deductions from an employee wages shall not exceed two thirds of basic salary.

1.2 Ethnic Composition of Staff

The committee was informed that the hospital had 12 members of management, 6 senior management staff and 3,104 other permanent and pensionable staff. It is apparent from the analysis that one dominant community comprised 69% of the total workforce of other permanent and pensionable staff

Committee Observation

The committee observed as follows

That MTRH management were in breach of Section 7 (1) and (2) of the National and Cohesion and Integration Act 2008 which requires that all public establishment shall seek

to represent the diversity of the people of Kenya in employment of staff. Further, no public establishment shall have more than one third (1/3) of its staff establishment from the same ethnic community.

Committee Resolution

The committee resolved as follows

That MTRH management submit a detailed report of the current status of the general staff composition and details of the current recruitment.

2.0 Budget Performance

The committee was informed that, the hospital had an approved revised expenditure budget of Kshs.6,526,596,813 against actual expenditure of Kshs. 6,415,904,669 (98%), resulting in under expenditure of Kshs. 110,692,144 or 2%. However, expenditure in some votes exceeded their allocation of Kshs. 341,777,683 by Kshs. 65,396,936 or 19%.

Committee Observation

Committee's observations

The Committee observed that –

- i) The underutilization by Kshs.125, 512,109 derailed the realization of the planned activities and public service delivery. The hospital based its projections of revenue and expenditure on weak assumptions and hence substantially missed the budgetary targets.
- ii) The then Accounting Officer was in breach of Section 43(2) of the Public Finance Management Act, CAP 412A which prohibits a state corporation, from reallocating funds between programs, or between Sub-Votes in the budget for a financial year.

Committee Resolution

The committee resolved as follows

That MTRH management submit a comprehensive report detailing items of underutilized amount worthy kshs.110 M

FY 2016/2017

1.0 Property Plant and Equipment

1.1 Land

The committee was informed that the property, plant and equipment balance of Kshs. 1,944, 023,040 as at 30 June 2017 is Usain Gishu Memorial hospital land valued at Kshs. 71,037,687. However, the ownership of Usain Gishu Memorial Hospital land is subject to a court case between the hospital and the former directors of the hospital. Although the hospital management has explained that the Constitutional Court to which the case was referred ruled in favour of Moi Teaching and Referral Hospital on 10 March 2010, the former directors appealed against the judgement and the matter has since been pending in the High court for the last six years.

Committee Observation

The Committee had deliberated on the issue of the ownership of Usain Gishu Memorial Hospital land in its report for the FY 2015/16, observed and made recommendations thereon with respect to the land. Consequently, the Committee upholds the observations and resolution made thereon.

1.2 Encroachment of Land

The committee was informed that the original plan for the hospital land referenced as F/R No. 176/12 was revised in 2004. The revised plan of 2004 was referenced as F/R No.430/188 and indicated that the approximate area of the hospital land was 29.67 hectares. The revision of the original plan culminated in the production of the Partial Development plan (PDP) of reference number, ELD 17//2001/3A (534 and 535), F/R No. 166/149 (180 and 192) and of F/R No. 166/62 in the revised plan for 2004.

Further, inspection of the land revealed that, there are permanent structures built on the encroached land indicated above, two (2) government institutions are built inside the hospital land, part of the main building of the hospital and new KMTC building are constructed on a road reserve.

Committee's observations

The Committee observed that –

The National Land Commission has not concluded on the legality of the occupation of the hospital land by Family Care Medical Centre. It is, therefore, not clear how the Family Care Medical Centre acquired the title deed for the land inside the boundary of the MTRH.

Committee Resolution

The committee resolved as follows

That MTRH management provide detailed correspondences on matters of encroachment of its land and also include how KMTC building on road reserve was resolved.

1.3 Irregular Procurement of a sixty-four (64) Slice CT-Scan machine

The committee was informed that the hospital awarded a tender in dollars (USD) on 29th March, 2017 to a supplier of medical equipment for the supply, delivery, installation and commissioning of a sixty-four (64) slice CT scan machine at a cost of Kshs.58,582,157.50 (USD 570,386.35). The award of the tender was subject to a trade in of an old two (2) slice CT scan machine valued USD 85,000 (Kshs. 8,730,018.50). Although management issued the local purchase order with value of more than the contract sum by Kshs. 3,182,487.16 (USD 30,986.35). In addition, a valuation report of a technical expert for the CT scan machine which was traded in indicated a value of USD100, 286.15 (Kshs. 10,300,000) while contract documents indicated a value of USD 85,000 (Kshs. 8,730,018.50)

No. explanation has been given on how the value of USD 85,000 (Kshs. 8,730, 018.50) for the trade in machine was arrived at. In the circumstances, it was not possible to confirm the validity of the amount expended on the item and if the hospital got value for money in the whole transaction.

Committee's observations

The Committee observed that –

- i) The management issued the local purchase order with value of more than the contract sum by Kshs.3,182,487.16 (USD 30,986.35) which led to an overpayment and loss of public funds.
- ii) The management did not include the procurement of the equipment in the procurement plan and used direct procurement method contrary to sections 91(1) and (3) and section 53(2) of the Public procurement and asset Disposal act, 2015 respectively.
- iii) The valuation report of a technical expert for the CT scan machine indicated a value of USD100, 286.15 (Kshs. 10,300,000) while contract documents indicated a value

of USD 85,000 (Kshs. 8,730,018.50) resulting in to unexplained difference of USD 15,286.15 (Kshs. 1,569, 981.50. This contravenes the provisions of section 164(3) of the Public Procurement and Asset Disposal Act, 2015. The management response did not address the audit query

Committee Resolution

The committee resolved as follows

That MTRH management submit the following

- Provide names of the technical team
- Minutes of the technical personnel and their report.
- Provide the price market of the slice CT scan and details whether there was value for money when single sourcing, and disposal minutes.

2.0 Trade and other Receivables

2.1 Corporate Clients Debtors

The committee was informed that in trade and other receivables balance of Kshs. 1,203,587,207 is corporate client debtors of Kshs. 442,819,969 As disclosed in the financial statements out of which Kshs.184,252,397 relates 2014/2015 and prior years. Although management had demonstrated some efforts made at debt recovery, not much had been achieved. Consequently, the recoverability of corporate debts could not be confirmed.

Committee's observations

The Committee had deliberated on the issue under trade and other receivables in its report for the FY 2015/16, observed and made recommendations thereon with respect to the corporate clients' debtors. Consequently, the Committee upholds the observations and recommendations made thereon.

2.2 Individual Clients Debtors

The committee was informed that the trade and other receivables balance of Kshs.1, 203,587,207 also include individual Client debtor's balance of Kshs. 514,908,397, the debts were secured with identity cards, commitment letters and title deeds out of which an amount of Kshs .424, 274,901 related to the years 2002 to 2010. Since these debts were secured with very weak collateral, the possibility of their collectability appears remote.

Committee Observation

The Committee had deliberated on the issue under trade and other receivables in its report for the FY 2015/16, observed and made recommendations thereon with respect to the individual clients' debtors. Consequently, the Committee upholds the observations and resolution made thereon.

Committee Resolution

The committee resolved as follows

That MTRH management submit a detailed current status in matters of debt collection policy.

2.3 Medical service providers Debtors

The committee was informed that the debtor's balance of Kshs.1,203,587,207.00 includes amounts owed by two medical services providers amounting to Kshs. 20,138,821.00 and Kshs. 68,778,269 respectively. The debts were in respect of contractual arrangements Entered into with the hospital to provide medical care to employees of the hospital. However, the claims have been outstanding long after contracts with the two firms were terminated.

Committee's Observations

The Committee observed that in the 21st PIC's Report, the following recommendations were made;

- i) The CEO and the Finance Manager ensures that the Hospital makes aggressive follow-up to collect all recoverable debts both corporate and individual to enhance financial growth and cash flow for the Hospital to meet its commitments and provide continuous service delivery.
- ii) The CEO and the Finance Manager should undertake an analysis of all debts and reviews the current policies governing management of debts to establish areas of weaknesses, recommend a prudent debt management system, debt restructuring and to seek Board approval to write-off unrecoverable debts.
- iii) The CEO ensures that the credit policy is stringently enforced to minimize exposure to bad debts; and
- iv) The Hospital should maintain an acceptable level of risk by vetting clients' applications for credit and review credit worthiness of new and existing clients.

v) Though the issues on trade and other receivables relating to Corporate Clients debtors, individual clients' debtors and medical service providers debtors had been addressed in the 21st PICs and recommendations, its reoccurrence implies that the recommendations therein have not been implemented.

2.4 Outstanding Temporary Imprest

The committee was informed that in trade and other receivables figure of kshs. 1,208,207.00 reflected in the Financial statements is outstanding imprest of Kshs. 14,406,568 which had not been surrendered. Although management explained that the bulky of these imprest relate to staff on long training period, imprest warrants and register pertaining to the outstanding imprest were not availed for audit verification. As a result, the accuracy and propriety of the outstanding imprest of Kshs. 14,406,568 could not be confirmed.

Committee Observation

The committee observed as follows

The Accounting Officer was in breach of section 93 (5) of the public Finance Management Regulations, 2015 for failing to recover the outstanding imprest of Kshs. 14,406,568 since there was no documentary evidence that the imprest was accounted for in time.

Committee Resolution

The committee resolved as follows

That management submit a detailed report on

1. The names of imprest holder
2. Courses they were undertaking
3. Institution they were undertaking the courses and the duration

3.0 Trade and other Payables

3.1 Long Outstanding Payables

Management informed the committee that in the trade and other payables balance of kshs.293, 830,236 as at 30 June 2017 is payable amounting to Kshs. 41,725,941.00 which had been outstanding for Over two years. Although management had explained that, lack of proper documentation from the suppliers had contributed to delay in setting the claims, no evidence was Provided to show measures taken to resolve this issue. As a result, the

validity, accuracy and completeness of figure for trade and other payables of Kshs.293, 830,236 as at 30 June 2017 could not be confirmed.

Committee Observation

The Committee had deliberated on the issue under trade and other payables in its report for the FY 2015/2016, observed and made recommendations thereon with respect to the long outstanding payables. Consequently, the Committee upholds the observations and recommendations made thereon.

3.2 Unremitted Salary Obligations

The committee was informed that the financial statements reflect Kshs. 520,168,585.00 in reflect of unremitted Salary obligations which include an amount of Kshs. 307,127,115.00 deducted from the payroll between May, 2017 and prior months that had not been remitted to the respective entities therefore management is in breach of the law.

Committee Observation

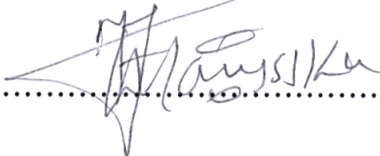
The committee observed as follows

1. That MTRH was in breach of section 19(4) of the employment Act, 2007 which provided that failure to remit these deductions may attract penalties which have not been recognized in the financial statements.
2. The committee further noted that management had acknowledged that then they had a challenge of funds however that matter has since been resolved.

MIN/PIC SSAA/2023/ 99

ADJOURNMENT

The Chairperson adjourned the sitting at Ten minutes past One.

Signed.....

Hon. Emmanuel Wangwe CBS, MP – Chairperson

Date.....

MINUTES OF THE 84TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON SOCIAL SERVICES, ADMINISTRATION, AND AGRICULTURE HELD AT COMMITTEE ROOM 7, ON THURSDAY 23RD NOVEMBER, 2023 AT 9.30AM.

PRESENT:

- | | |
|--|------------------|
| 1. Hon. Emmanuel Wangwe, CBS, MP | Chairperson |
| 2. Hon. Caleb Amisi Luyai, MP | Vice Chairperson |
| 3. Hon. Ferdinand Kevin Wanyonyi, MP | |
| 4. Hon. Martin Peters Owino, MP | |
| 5. Hon. Mary Wamaua Njoroge, MP | |
| 6. Hon. (Dr.) Peter Francis Masara, MP | |
| 7. Hon. Bishop (Dr.) Jackson Kipkemoi Kosgei, MP | |
| 8. Hon. Michael Wambugu Wainaina, MP | |

APOLOGIES:

1. Hon. CPA Geoffrey Wandeto, MP
2. Hon. Nixon Nicholas Ngikolong, MP
3. Hon. Joshua Kivinda Kimilu, MP
4. Hon. Bernard Kibor Kitur, MP
5. Hon. Abdi Jehow Fatuma, MP
6. Hon. Paul Nabuin Ekwom, MP
7. Hon. Elijah Njore Kururia, MP

IN ATTENDANCE:

SECRETARIAT

- | | |
|--------------------------|------------------------------|
| 1. Mr. Aden Abdulahi | Principal Clerk Assistant II |
| 2. Mr. Mark Namaswa | Clerk Assistant III |
| 3. Ms. Christine Mariita | Clerk Assistant III |
| 4. Ms. Mercy Kinyua | Legal Officer |
| 5. Mr. Cosmas Akhonya | Audio Officer III |
| 6. Mr. Kevin Obilo | MRO |

- | | |
|-----------------------|----------------------|
| 7. Ms.Lilly Cherotich | Protocol |
| 8. Mr.Noah Chemweno | Sergeant – At – Arms |
| 9. Mr. Derrick Omondi | Intern |

OFFICE OF THE AUDITOR GENERAL

- | | |
|-------------------------|---------|
| 1. Mr. Jackson Musheba | P.A |
| 2. Mr. Fredrick Awuonda | P.A |
| 3. Mr. David Githinji | PA -LRO |

NATIONAL TREASURY

Ms.Wendy Nguyu

MOI TEACHING AND REFERRAL HOSPITAL

- | | |
|--------------------------------|-------------------|
| 1. Dr. Wilson Aruasa, MBS, CBS | CEO |
| 2. Mr. Thomas Ngetich | Finance |
| 3. Mr. Julius Oraro | DMSC |
| 4. Mr. Abraham Limo | Senior Accountant |

MIN/PIC SSAA/2023/110

PRELIMINARIES

The Chairperson called the meeting to order at 10.00 AM thereafter he requested Hon. Ferdinand Kevin Wanyonyi, MP for a word of prayer.

MIN/PIC SSAA/2023/111

SUBSTANTIVE AGENDA: EXAMINATION OF THE AUDITOR GENERAL REPORT OF THE MOI TEACHING AND REFERRAL HOSPITAL FOR THE FINANCIAL YEAR 2015/2016 TO 2021/2022

Dr. Wilson Aruasa , MBS,CBS (CEO MTRH), was accompanied by Mr. Thomas Ngetich (Finance), and Mr. Julius Oraro (DMSC), appeared before the committee to adduce evidence on the audited accounts of Moi Teaching and Referral Hospital.

FY 2016/2017

4.0 Irregular Payment of Allowances

The committee was informed that personal emoluments of Kshs. 5,124,804,916.00 as disclosed in the financial statements is allowance of Kshs. 94,813,971 paid to officers of the Hospital. These allowances were not included in the approved list of Salaries and Remuneration Commission (SRC). Although the board approved payment of these allowances in 2016 and management forwarded the Human Resource Instruments to the State Corporations Advisory Committee (SCAC) through the ministry of Health for approval, no evidence was provided to confirm that the same was approved.

Committee Observation

The Committee had deliberated on the issue of Irregular payment of allowances in its report for the FY 2015/2016, observed and made resolution thereon. Consequently, the Committee upholds the observations and resolution made thereon.

Committee Resolution

The committee resolved as follows

That MTRH management submit the following additional information

- i. Approval from the ministry of Health and SCAC
- ii. A letter of No objection from SRC
- iii. All CBA's negotiations

5.0 Waivers and Exemptions

The committee was informed that the total expenditure of Kshs. 6,395,890,676.00 is waivers and exemptions figure of Kshs. 146,629,213. Available information indicated that the figure for waivers and exemptions was expensed based on a government policy document which was applicable to health centers as indicated in the Treasury circular reference No. DHCF/VOL.1 (138) of 23 December 2002. In the circumstances, validity of the amount for the waivers and exemptions could not be confirmed.

Committee Observation

The Committee observed that;

The Hospital failed to seek the approval of the National Treasury contrary to section 69 of the Public Finance Management Act, 2012.

Committee Resolution

The committee resolved that the office of the auditor general be given more time for further verification so as the committee can be guided accordingly.

6.0 Prior Year Issues

6.1 Irregular Procurement of Eight (8) Patient Monitors

The committee was informed that property, plant and equipment balance of Kshs. 1,944,023,040 as at 30 June 2017 includes an amount of 17,600,000 in respect of acquisition of eight (8) patient monitors. An order of eight (8) patient monitors was issued on 23 July 2015 through LPO No. 09854. The monitors were delivered and installed on 31 October 2015 and full payment done on 2 June 2016 vides cheques No. 0295 and 029153.

Although management explained that the patient monitors were procured under framework contract with the supplier, a review of the contract signed on 20 June 2014 indicates that the contract was for the supply of two (2) patient monitors and the duration of the contract was two (2) weeks. It was therefore evident that the procurement of the eight (8) patient monitors was not covered under the above contract.

Under the circumstances, the procurement of the eight (8) patient monitors was irregular and therefore the propriety of the totals expenditure totaling Kshs. 17,600,000 could not be confirmed.

Committee Observation

The committee observed as follows

The Committee had deliberated on the issue on Irregular Procurement of Eight (8) Patient Monitors in its report for the FY 2015/2016, observed and made resolution thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

Committee Resolution

The committee resolves as follows

That the query is a prior year issue discussed and deliberated on the FY 2015/2016 where management had been authorised to submit more evidence for verification, therefore the committee grants more time the office of the Auditor General to peruse and verify the documents submitted by MTRH and thereafter report to the committee for further action.

6.2 Irregular procurement of 16 slice CT scan

The committee was informed that the non-current assets figure of Kshs. 2,024,492,252 as reflected is project cost figure of Kshs.80,469,212 out of which an amount of Kshs. 20,152,410 is in respect of 16 slice CT scan. the hospital tender committee sitting on 5 June 2015 awarded a tender for the supply, delivery, and installation and commissioning of the sixteen (16) slice CT scan to a medical equipment supplier at a sum of Kshs. 52,890,000. However, citing lack of funds, the management on 12 October 2015 rescinded the decision by the tender committee and resorted to hire purchase arrangement with the supplier at a cost of Kshs. 64,742,649.

Available information indicated that although the contract for the supply of the equipment was signed on 25 June 2015, treasury approval for use of hire purchase method was requested on 7 September 2015 and granted on 30 September 2015 meaning that the request for approval to use hire purchase method was sought and granted long after the contract had been signed. No explanation has been provided for this anomaly.

Committee Observation

The committee observed as follows

The Committee had deliberated on the issue on Irregular procurement of 16 slice CT scan in its report for the FY 2015/16, observed and made recommendations thereon. Consequently, the Committee upholds the observations and recommendations made thereon.

Committee Resolution

The committee resolves as follows

That the query is a prior year issue discussed and deliberated on the FY 2015/2016 where management had been authorised to submit more evidence for verification, therefore the committee grants more time the office of the Auditor General to peruse and verify the documents submitted by MTRH and thereafter report to the committee for further action.

6.3 Irregular Procurement of Computers

Property, plant and equipment includes computer and computer accessories figure of Kshs.12,863,358. The advertisement for the supplies indicated that the procurement was under two-year framework contracting arrangement. The tender document did not specify

the period of the contract and the total minimum and maximum quantity. No explanation was given for using framework contract in procurement of computer and computer accessories whose quantity is definite.

Committee Observation

The Committee observed that –

- i) The underutilization by Kshs. 172,565,119 derailed the realization of the planned activities and public service delivery. The hospital based its projections of revenue and expenditure on weak assumptions and hence substantially missed the budgetary targets.
- ii) The then Accounting Officer was in breach of Section 43(2) of the Public Finance Management Act, CAP 412A which prohibits a state corporation, from reallocating funds between programs, or between Sub-Votes in the budget for a financial year. That MTRH management had not responded to the query.

Committee Resolution

The committee resolved that MTRH be granted more time to submit their response.

Other matter

1.0 Budget Performance

The committee was informed that the hospital had an approved revised expenditure budget of Kshs.7,378,966,130 against actual expenditure of Kshs.7,206,401,011 (95%), resulting in under Expenditure of Kshs. 172,565,119 or 2%. However, expenditure in some votes exceeded their approved allocation of Kshs.570,788,489 by Kshs. 257,532,244 or 45%. Further, there was underutilization of approved expenditure of Kshs.1,103,533,666 against actual expenditure of Kshs.776,121,315 by Kshs.327,412,351. No reason was provided for thirty percent (30%) underutilization in the above budget items.

Committee's observations

The Committee observed that –

- i) The underutilization by Kshs. 172,565,119 derailed the realization of the planned activities and public service delivery. The hospital based its projections of revenue and expenditure on weak assumptions and hence substantially missed the budgetary targets.
- ii) The then Accounting Officer was in breach of Section 43(2) of the Public Finance Management Act, CAP 412A which prohibits a state corporation, from reallocating funds between programs, or between Sub-Votes in the budget for a financial year.

2.0 Ethnic Composition of employees of the hospital

The committee was informed that an examination and analysis of human resource records of the hospital availed for audit verification revealed that, the hospital had 12 members of the Board, 6 senior management staff and 3,639 other permanent and pensionable staff as at 30 June 2017

It is apparent from the above analysis that one ethnic community comprised of 71% of the total work force of the hospital contrary with Section 7(1) and 2 of the national cohesion and integration Act, 2008

Committee Observation

The committee observed as follows

That the Hospital was in breach of Section 7(1) and 2 of the national cohesion and integration Act, 2008 which requires that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment shall have more than one third (1/3) of its establishments from the same ethnic community.

Committee Resolution

The committee resolved as follows

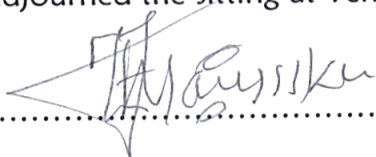
That MTRH management submit a detailed report of the current status of the general staff composition and provide details of the gender ratio.

That the CEO come up with a formula and strategies on how to cure the issue in the future.

MIN/PIC SSAA/2023/ 112

ADJOURNMENT

The Chairperson adjourned the sitting at Ten minutes past One.

Signed.....

Hon. Emmanuel Wangwe CBS, MP – Chairperson

Date.....