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ELEVENTH REPORT

OF THE

PUBLIC INVESTMENTS COMMITTEE

ON THE ACCOUNTS OF

STATE CORPORATIONS

VOLUME I

2002

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STATE CORPORATIONS

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PREFACE

Mr. Speaker Sir,

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

MANDATE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This Eleventh Report is the work of two Committees viz:-

(i) the Committee whose Members were nominated during the Fifth Session of the Eighth Parliament and whose membership is as follows:-

The Hon. Wafula Wamunyinyi, M.P. (Chairman)	FORD (K)
The Hon. Abubakar M. Badawy, M.P.	KANU
The Hon. Grace Mwewa, M.P.	KANU
The Hon. David Kombe, M.P.	KANU
The Hon. Sayyid M. Amin, M.P.	KANU
The Hon. Ali I. Shaaban, M.P.	KANU
The Hon. J.B.N. Muturi, M.P.	KANU
The Hon. Geoffrey M. Parpai, M.P.	DP
The Hon. Mwangi Kiunjuri, M.P.	DP
The Hon. Ochilo Ayacko, M.P.	NDPK
The Hon. John M. Katuku, M.P.	SDP

(ii) the Committee whose Members were nominated during the Sixth Session of the Eighth Parliament and whose membership is as follows:-

The Hon. Wafula Wamunyinyi, M.P. (Chairman)	FORD (K)
The Hon. Abubakar M. Badawy, M.P.	KANU
The Hon. Grace Mwewa, M.P.	KANU
The Hon. Ali I. Shaaban, M.P.	KANU
The Hon. Ochilo Ayacko, M.P.	KANU
The Hon. Mohammed D. Weyrah, M.P.	KANU
The Hon. Eric T. Morogo, M.P.	KANU
The Hon. Mwangi Kiunjuri, M.P.	DP
The Hon. Chege Mbitiru, M.P.	DP
The Hon. Maoka Maore, M.P.	DP
The Hon. Moses Muihia, M.P.	SDP

The Fifth Session Committee held forty sittings during which it examined the audited accounts of various state Corporations. It did not, however, finalise taking evidence owing to the fact that the Committee's term expired before it could complete its work.

The Sixth Session Committee held ten sittings during which it completed the work left pending by its predecessor i.e. finalising taking evidence and making recommendations.

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

EXECUTIVE SUMMARY

of the Committee's Observations

and

Recommendations

PROCEEDINGS

The Committee held Fifty Sittings in which it closely examined the audited accounts of State Corporations and the reports thereon by the Auditor-General (Corporations). The Committee also undertook field tours and made on-the-spot study of assets, and in particular land, belonging to two Corporations, namely Kenya Railways Corporation and Jomo Kenyatta University of Agriculture and Technology. A summary of proceedings on the tours can be found in the respective minutes of the Committee.

In the Committee's endeavour to improve its effectiveness in exercising it oversight function, the Committee visited the Parliaments of India and Malaysia which have Committees with similar functions. The core objective of the visits was to find out what is obtaining in these countries with a view to adopting what would enhance the effectiveness of the Committee. Of paramount importance to the Committee was to gather information on the process of implementation of Committee reports and what avenues were available for implementation follow-up. Comprehensive reports on the overseas visits form part of the annex of this Eleventh Report. (Annex C)

The Minutes of the Committee are hereto annexed (Annex A) and copies of the HANSARD REPORT have been placed in the Parliament Library.

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

In conducting retrospective inquiry into whether or not the affairs of public investments were managed in accordance with sound business principles and commercial practices, the Committee heard and received both oral and written evidence from the Chief Executives of various State Corporations and other relevant witnesses. The recommendations on the issues raised by the Auditor-General (Corporations) will be found under appropriate paragraphs of the Report. The records of evidence, documents and notes received by the Committee form the basis of the observations and recommendations outlined in the Report and can be found in the HANSARD REPORTS of the Committee available in the Parliament Library.

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

OBSERVATIONS

In examining the audited accounts of State Corporations, the Committee's primary approach was to elicit background information as to why particular courses of action were or were not taken, keeping in view the relevant financial management

principles and regulations. This must be clearly understood because it is the basis of the Committee's observations and recommendations. The role of this Committee is to ensure that high standards of public morality and productive efficiency are maintained in public investments. Moreover, the Committee acts on behalf of the public when scrutinising the activities of Public Corporations.

Of great concern to the Committee is the abdication of duties and obligations by the Boards of Directors of State Corporations. Majority of incidents of mismanagement and imprudent investments have been presided over by Board Members who may be oblivious or not of the ongoings in the Corporations.

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

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

1. PROCUREMENT OF GOODS AND SERVICES AND AWARD OF TENDERS

The Committee noted with concern that despite Government circulars meant to streamline procurement and tendering procedures and administration of public resources, certain Corporations have continued to flout laid down financial regulations in procedures of procurement and award of tenders.

For example In August 1994, the Kenya Ports Authority initiated a project to construct extra floor on its existing headquarters building at Kipevu. The Authority, without open competitive bidding, appointed a firm of architects - M/s Mode Architects Lead Consultants for the project. The project was abandoned apparently for being impracticable, after a sum of 405,659,230.25 had been incurred on it.

The Committee reiterates its earlier recommendations contained in the 9th Report, page xiv that:-

(i) that the Executive arm of the Government should implement all the Public Investments Committee recommendations to date in order to curb the rampant abuse of office and disregard of laid down financial regulations in procurement procedures and award of tenders.

(ii) The Committee further recommends that the Inspector-General (Corporations) must carry out his duties as specified in the State Corporations Act (Cap 446) to curb abuse of office and flouting of

financial regulations with regard to procurement procedures and award of tenders.

2. LOSS/INSECURITY OF FUNDS DEPOSITED IN AILING BANKS/FINANCE INSTITUTIONS

The Committee noted with grave concern that some Corporations have continued to invest their surplus funds in ailing banks and financial institutions in clear violation of Treasury Circular No.10 of 15th July, 1992 which requires that surplus funds be invested in Treasury Bills and Bonds.

For instance, as at 30th June, 1999 Kenya Ports Authority's deposits and accrued interest amounting to Kshs.100,336,682 were held in 6 collapsed financial institutions and chances of their recoverability is almost nil.

The Committee reiterates its earlier recommendation in the Ninth Report (Page xv) that the office of the Inspector General (Corporations) should be strengthened to ensure more stringent inspection of State Corporations in order to prevent financial mismanagement by Chief Executives in respect of investment of funds.

The Committee also recommends that Treasury should review its Circular No. 10 of 1992 to ensure security and profitable returns of Corporations' funds and provision of deterrants for violations by Board and Chief Executives.

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

3. FACILITIES ACCORDED TO CHAIRMEN OF BOARDS OF DIRECTORS OF STATE CORPORATIONS

The Committee noted with concern that certain non-executive Chairmen of State Corporations have been irregularly accorded executive facilities including cars for their exclusive use, leading to improper expenditure on public funds. In one instance, it has not been clear who the Chief Executive/Accounting Officer of the Electricity Regulatory Board as the past non-executive Chairmen appeared to have been executing some duties of the Secretary of the Board.

The Committee recommends that the Government should ensure that facilities accorded to non-executive chairmen of all State Corporations are harmonised and clearly stated in their letters of appointment.

4. GOVERNMENT DEBTORS

The Committee was concerned that various Government Ministries/Departments had failed to pay water bills to the National Water Conservation and Pipeline Corporation which stood at Kshs.913,401,884 as at 30th June, 1998.

The Committee was also concerned that the Ministry of Education owed Kenya National Examination Council an amount of Kshs.1,467,292.

The Committee recommends that the Treasury should ensure that all debts owed to State Corporations by the Government Ministries/Departments are paid in full.

5. STATE CORPORATIONS ADVISORY COMMITTEE

The Committee noted with concern that several State Corporations have reviewed their Terms and Conditions of Service, without recourse to the State Corporations Advisory Committee contrary to the provisions of Section 27 of the State Corporations Act (Cap 446), e.g. National Housing Corporation.

The Committee further, noted that the holders of the Office of the Permanent Secretary, Secretary to the Cabinet and Head of the Public Service have in the past sanctioned such revisions purporting to be acting on behalf of the State Corporations Advisory Committee, thereby abetting illegality.

The Committee recommends that Government should reconstitute the State Corporations Advisory Committee immediately.

The Committee further recommends that the Permanent Secretary, Secretary to the Cabinet and the Head of Public Service should adhere to the law and stop performing the functions of the State Corporations Advisory Committee.

6. PRIVATISATION

The Committee noted that some recommendations contained in its past Reports have not been acted upon. The Committee further noted that the provision of pre-emptive rights continue to be abused by Executive Secretariat and Technical Unit (E.S.T.U) and Parastatal Reform Programme Committee (P.R.P.C.) inspite of the Committee's earlier recommendations.

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

The Committee reiterates its earlier recommendations in the Sixth Report (Page xxxiii) and Eighth Report (Page xix) that Treasury should ensure that there is transparency and accountability in the privatisation process.

The Committee also reiterates its earlier recommendation in the Fifth Report that a Bill on Privatisation should be tabled in Parliament so that the House can debate on all relevant issues and come up with a policy that will have a national consensus and proper basis in law.

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

The Committee noted that a legal framework is now in place which makes it mandatory for all State Corporations to submit their accounts to the Controller and Auditor-General for auditing and subsequent scrutiny by the Public Investments Committee.

8. APPOINTMENT OF STATE CORPORATIONS BOARD OF DIRECTORS AND CHIEF EXECUTIVES

The Committee noted that most appointments to the Board of Directors have not measured to their requirements of the performance of their respective State Corporations while in certain cases Chief Executives appointed to manage respective State Corporations have been so appointed without due regard to their technical qualifications, past performance, age and relevant experience.

The Committee further noted that of late there have been Chief Executives on acting positions without substantive appointments being made and that there appears to be no prompt removal or surcharge of errant Chief Executives.

The Committee reiterates its earlier recommendation in the Ninth Report (Page xii) that:-

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

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

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

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

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

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

(vii) **The Attorney-General should urgently introduce appropriate legislation to provide for vetting of any appointment of Chief Executives by Parliament before 31st December, 2001.**

The Committee further recommends that the Government should desist from reappointing Chief Executives or Board Members who have been named by Various House Committees.

9. LAND OWNERSHIP

The Committee noted with concern that various Corporations did not possess title documents for pieces of land belonging to them and that some Corporations were experiencing difficulties in their bid to acquire the title deeds from the Office of the Commissioner of Lands. Examples of these are Kenya Broadcasting Corporation and National Water Conservation and Pipeline Corporation.

The Committee also noted with concern that in other cases land belonging to Corporations had been issued to third parties apparently without the approval of the Corporations. A case in point is Kenya Ports Authority, Kenya Agricultural Research Institute and Kenya Railways Corporation.

The Committee recommends that all pieces of land owned by State Corporations be registered in the respective Corporation's name and that the Commissioner of Lands should desist form allocating Corporations' land to third parties.

10. CONCLUSION

The Committee would wish to records its appreciation for the services rendered by the staff of the National Assembly, the Auditor-General

(Corporations), the Inspectorate General (Corporations) and the Department of Government Investments and Public Enterprises of the Treasury.

Their dedication to duty has made the work of the Committee and production of this Report possible.

(HON. WAFULA WAMUNYINYI, M.P.)

SIGNED .....

DATE 20/9/2002

KENYA PORTS AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA PORTS AUTHORITY THE YEAR ENDED 30TH JUNE, 1999

1. EXTENSION AND REFURBISHMENT OF KIPEVU HEADQUATERS

In August 1994, and apparently without invitation of open competitive tenders, the Authority appointed a firm of architects to be Lead consultant for the extension and refurbishing of the Kipevu existing Headquarters building Project. The month following their selection, the Lead Consultant appointed, on a selective basis, three other consultants to design the Project which basically involved construction of extra floors onto the existing Headquarters building. In December 1994, the consultants forwarded the related architectural drawings which the Authority duly accepted an on 5th January 1995, the Lead Consultant instructed the other consultants to proceed and complete the Project. About two months later on 10the March 1995 the consultant presented the Authority with Bills of Quantities, thus bringing the Project to tender stage. Records, however, show that the Project was designed without properly establishing whether the existing foundation of the present building could support extra weight of the additional floors and without prior authority of the parent Ministry and Treasury. There was also no budgetary provision for the expenditure in the 1995/96 or 1996/97 Estimates of the Authority. Thereafter fee notes for Kshs.405,849,355 were raised by both the Lead Consultant and the other three consultant as follows:-

	Kshs.
Lead Consultant	147,445,658
Other Consultants	258,403,697
Total	**405,849,355**

The fee notes were accepted by the Authority and a total amount of Kshs.42,000,000 paid in August 1995 but the Project was abandoned thereafter, apparently for being impracticable. Since the abandonment of the Project the consultants have been paid a further total amount of Kshs.289,377,164, thereby bringing total expenditure on the Project to Kshs.331,377,164 as at 28th February, 2001. Available information also indicates that the Authority, having lost a civil court case against one of the consultants for a total claim of Kshs.197,973,267, has now entered into an agreement with the consultant to pay the balance of the amount due to the plaintiff at the rate of Kshs.5 million per month over a period of about 7 years. At this rate the Authority stands to lose an additional Kshs.309 million on the already abandoned Project. Arising from the foregoing, the total expenditure incurred on the Project of Kshs.331,377,164 as

well as the expenditure anticipated to be incurred further of more than Kshs.309 million will most likely turn out to be waste of public funds.

In view of the fact that adequate evidence was not taken and key witnesses involved in the project did not appear before the Committee, it was resolved that the paragraph be reconsidered in its entirety by the Incoming Committee.

2. FIXED ASSETS

The Balance Sheet Fixed Assets figure of Kshs.18,115,528,341 as at 30th June, 1999 includes value of some 26 plots of land irregularly allocated to individual developers without either the knowledge of the Authority or the approval of its Board. One of the 26 plots was transferred to a third party by an employee of the Authority while another plot was left out when six of the plots were surveyed and allocated to a third party evidently with the knowledge of the then Managing Director. Further the Authority also entered into a Lease Agreement with a private Company in 1994, in respect of plot number MSA/BLOCK 1/400 measuring 1.434 hectares for a duration of 82 years at an annual rent of Kshs.241,560. In March 1998, the Lease Agreement was varied to allow the lessee to charge the property in favour of their financiers for a loan of US$24,500,000. The consent was accordingly approved by the parent Ministry and accepted by the Authority. The lessee has since constructed permanent buildings on this property, a project which includes a way-leave and a conveyor belt system linking the terminal to movable ship loading and unloading equipment located on Berth 3, thus using extra space originally not covered in the leased land. It is not understood why the Authority accepted to have the property charged for a loan to the lessee thereby exposing the Authority the possible risk of losing the subject land in the event of default by the lessee. It is also not clear why the Authority accepted the very low annual rent of Kshs.241,560 while the current market rent rate for a property in the same locality is about Kshs.21 million per acre. In addition, available information indicates that while stevedoring charges, to all ships using Port facilities are levied at US$20 per ton as stipulated in Section 2 (10) of KPA Act, the Leasing Company was noted to be paying only US$2 per ton handled, thus resulting in a loss of US$18 per ton handled by this Company. With this arrangement and contrary to the requirements of the KPA Act, the Authority stands to lose quite substantially in terms of revenue accruing out of stevedoring charges due to this excessively low rate of charge of US$ 2 per ton.

The Committee heard the evidence given by the Chief Executive that plots MSA/BLOCK XLVIII/111,112,113,114,116,117 and 118 which were inherited by the Authority from the defunct East African Railways and Harbours Corporation were irregularly allocated by the Commissioner of Lands to third parties in 1997 without the consent of the Authority.

The Committee further heard that:-

(i) **Plot MSA/BLOCK XXVI/I00I was illegally excised and allocated to a third party with the knowledge of the firm of surveyors M/s Geometer Surveys Ltd. who had been appointed by the Authority to Survey and apply for titles, and that the Authority is considering taking the firm to court for breach of duty.**

(ii) **Plot No.MSA/BLOCK 1/400 measuring approximately 1.434 Ha. was leased to Grain Bulk Handlers Ltd. for a duration of 82 years from January 1994 and that the Authority signed a way leave agreement with the company to construct a conveyor belt system from the land leased to them to the quay for conveyance of grain and fertilizer at a fee of Kshs.9,000 p.a.**

(iii) **The Authority consented that the plot be charged by Grain Bulk Handlers Ltd for a loan of US$24,500,000 and that the Authority runs no risk of loosing the land as it is a free hold owner.**

The Committee made the following observations:-

(i) **that the Commissioner of Lands irregularly allocated the Authority's land without its consent.**

(ii) **that the Authority leased its plot No.MSA/BLOCK 1/400 for too long and at very low charges.**

The Committee recommends that:-

(i) **the Chief Executive should place caveats on the irregularly allocated plots and liaise with Commissioner of Lands with a view to having the allocations revoked.**

(ii) **Geometer Surveys Ltd. and its directors be precluded from award of contracts by the Authority and Government in general.**

(iii) **the Geometer Surveys Ltd. be reported to the Board of Surveyors for professional misconduct.**

(iv) **the Chief Executive should ensure that the agreement between the Authority and Grain Bulk Handlers Ltd is reviewed and regularised in order to safeguard the interest of the Authority.**

3. **SUPPLY OF REACH STACKERS**

During the year 1997/98, the Authority entered into an agreement with a certain firm to supply four SISU 42 Ton Reach Stackers, Model 4227-5TL at a contract sum of Kshs.156,709,842 (US$2,541,804). The agreement provided for the shipment of the first 2 units within 6 to 8 weeks from the date of signing the agreement on 4 May 1998. The terms of payments included two-years' credit facility at an interest rate of 2.5% and Kshs.23,257,506 (US$381,270.60) down payment upon confirmation of the order by supplying a bankers' guarantee and

then six months moratorium from the date of shipment. Thereafter, the balance was to be paid in six equal quarterly instalments of Kshs.21,965,423 (US$360088.90) with interest. Although the agreement stated that interest would not be affected by the moratorium, the calculation of interest, however, started earlier than the delivery period of 6 to 8 weeks for the first 2 units thereby resulting in extra payment of interest of Kshs.5,509,582 (US$89,366.18). The justification for payment for this extra interest has not been provided.

The Committee heard the evidence given by the Chief Executive that the Authority paid an extra Kshs.5,509,582 to Trade Wings Ltd. as interest for the purchase of Four SISU 42 tone reach stackers model 4227-STL in line with the amendment of clause 8 of the sale Agreement which resulted in earlier commencement of payment of interest.

The Committee further heard that the Authority entered into negotiations with the firm to pay off the outstanding instalments at once which saved the Authority from paying interest of Kshs.747,000.

The Committee observed with concern that the amendment of the original agreement in unexplained circumstances cost the authority an amount of Kshs.5,509,582.

The Committee recommends that the Attorney General and the anti-corruption agencies should investigate the circumstances under which the original agreement was amended which culminated in unjustifiable interest payment with a view to establishing whether a felony was committed or not, for possible prosecution.

4. **ENGINE OVERHAUL - VIP LAUNCH MKIZI**

The Authority obtained quotations, in a selective manner, from four companies on different dates between October 1998 and March 1999 for the overhaul of VIP Launch, Mkizi. The lowest bidder quoted Kshs.4,994,786 per engine, giving a contract sum of Kshs.9,989,672 for both engines and included cost of spares totalling Kshs.3,670,025 whose cost per unit and number of spares involved was indicated. On 9th April, 1999, the same firm was awarded another contract to manufacture modified assembly of the manifolds of the same Launch at a contract sum of Kshs.8,954,828, again without competitive bids. On 8th April, 1999 the Managing Director approved for the repair of centralizers and adjusters, or engine mountings of the same Launch Mkizi, at a cost of Kshs.2,557,799 by another company again without invitation of open competitive tenders. The Launch was repaired by the two companies and invoices totalling Kshs.21,409,083 were submitted to the Local Authority which settled the amounts between 3rd June, 1999 and 23rd July, 1999. Available information, however, indicates that the total cost of two new engines of the type was repaired was only Kshs.3,697,650. The Authority would have save a total of

Kshs.17,711,433 if two new engines had been purchased instead of repairing the old engines. Under the circumstances, the propriety and the justification for the expenditure of Kshs.21,409,083 incurred on the overhauling of the engines for VIP Launch Mkizi cannot be confirmed.

The Committee heard the evidence given by the Chief Executive that the then management of the Authority acquired spares to effect the overhaul of the VIP Launch Mkizi worth Kshs.21,409,083 upon recommendation of the then Chief Marine Engineer Eng. A.A. Khamis.

The Committee heard that:-

(i) **it later transpired that serious acts of fraud had been committed in the transaction as the spares supplied were of poor quality, bore different numbers from those on the LPO, were not required and had been overcharged.**

(ii) **two officers Eng. A.A. Khamis and Mr. Kiwanuka, a Senior Supplies Officer who were implicated in the fraud were subjected to disciplinary action that led to their dismissal.**

(iii) **the Authority entered into negotiations with the suppliers *viz*:- Kenya Truck and Tractors Ltd; Vixen Ltd. and Tima Ltd. with a view to reducing the prices which finally came to Kshs.8,477,414.40**

The Committee recommends that the Chief Executive should ensure that procurement procedures are enforced without exception and effective internal controls put in place.

The Committee further recommends that the Inspector-General (Corporations) takes surcharge action against the two officers.

5. IRREGULAR PROCUREMENT OF GOODS

During the year under review, the Authority without invitation of open competitive tenders, purchased 6 life rafts from a supplier at a total cost of Kshs.10,365,320. In March, 2000 the same items were found in the stores intact in addition to stock of other rafts procured earlier. Apart from the fact that it was not clear how the suppliers were identified in the absence of open competitive bids, it has also not been explained why these items were bought when they were apparently not needed, thus tying up funds in stores which could become obsolete due to lapse of usable time. In addition, other purchases were made at a cost of Kshs.26,827,515, again without the invitation of tenders. Without open competitive tenders it has not been possible to confirm that the suppliers were procured at the most competitive prices and that the stocks were of immediate use.

The Committee heard the evidence given by the Chief Executive that M/s Lonjina Traders were issued with an order to supply 16 life rafts after emerging the lowest bidder and that the rafts were not fitted immediately as they could not be used without Hydraulic Release devices.

The Committee was informed that:-

(i) **the 16 rafts have since been fitted on board the rafts;**
(ii) **the other purchases worth Kshs.26,827,515 were made on selective tendering and serious acts of fraud were later detected in the manner in which the transaction was carried out; and**
(iii) **two officers Eng. A.A. Khamis and Mr. Kiwanuka who were involved in the irregular purchases were sacked from the Authority and the suppliers under the Umbrella of M/s Wayland Ltd. prevailed upon the Authority to reduce the prices to Kshs.21 Million.**

The Committee recommends that the Chief Executive should ensure that procurement procedures are enforced without exception.

The Committee further recommends that the Inspector-General (Corporations) takes surcharge action against the two officers.

6. STOCKS AND STOCKS EVALUATION CONSULTANCY

Between July 1996 and May 1999, the Authority appointed two firms to carry out an exercise of stores valuation and confirmation of existing balances as well as stores rationalisation for which both companies were paid a total for Kshs.14,049,537. Available stores records, however, revealed that the consultants, and without any explanation or justification, omitted to cover stores in some 53 sub-stores valued at Kshs.1,041,666,983, an omission which led to subsequent exclusion of these stores from the Balance Sheet values as at 30th June, 1999. Apart from the fact that the Authority has not explained how the contracted firms were identified or the contract sums arrived at, the Authority has not also justified this very excessive omission of stocks by the consultants. Information available also indicates that the two consultancy firms shared some personnel. Although it has now been explained that the firms split and one of the partners continued with the exercise, the cost effects of the involvement of both firms has not been answered. Consequently, it has not been possible to confirm the propriety of the expenditure of Kshs.14,049,537 incurred on this exercise. Further, the stock figure of Kshs.1,939,242,824 excludes stock shortages totalling Kshs.420,478,242 whose nature was not explained. The Authority has not explained why it tied up colossal funds in stocks which could easily become absolete. Arising from the foregoing, it has again not been possible to confirm that the Authority's stores system is properly operated or even to confirm the correctness of the Balance Sheet stocks figure of Kshs.1,939,242,824 as at 30th June, 1999.

The Committee heard the evidence given by the Chief Executive that the then Managing Director of the Authority Mr. L.J. Mwangola appointed, apparently without competitive bidding, M/s. Dominion Consultants Ltd. to carry out a stores verification exercise at the cost of Kshs.14,049,537.

The Committee was informed that stock balances of materials in sub-stores amounting to Kshs.1,041,566,983 were excluded in the exercise on the assumption that they had been utilized immediately after issue and that the anomaly was eventually corrected and adjustment of Kshs.974,260,408 effected in the 1998/99 accounts.

The Committee was further informed that the stock shortages of Kshs.420,478,242 were shortages before reconciliation and that necessary adjustment was made in the 1999/2000 financial year.

The Committee reiterates its earlier recommendation under paragraph 11 of the 1997/98 financial year of the Tenth Report that the Chief Executive should ensure that the stores are only expensed after use and not after being transferred to sub-stores.

The Committee further recommends that:-

(i) **the Chief Executive must streamline the store management, including stock taking exercise so that all stocks are accounted for;**

(ii) **the Chief Executive should ensure that the Corporation does not hold excessive stocks.**

7. DEBTORS

The Balance Sheet Debtors figure of Kshs.1,605,581,787 as at 30th June, 1989 includes debts totalling Kshs.12,538,516 outstanding against employees who are no longer in the service of the Authority. The Authority has not given a satisfactory indication as to how it intends to recover these long outstanding debts from the ex-employees. In addition the debtors figure also includes debts totalling Kshs.18,695,929 in respect of subsistence allowances paid over and above various officers' entitlements. While it is not clear why the Authority paid the officers the amounts in excess of what they were entitled to, it has also not been explained adequately how the amounts will be recovered. Similarly, there were advances totalling Kshs.4,096,446 included in the debtors relating to negative salaries which suggest that employees were advanced salaries in excess of their gross amounts which could be recovered from their earnings. In addition dishonoured cheques totalling Kshs.19,695,108 some of which have remained outstanding for over four years and whose recoverability remains doubtful were also included in the debtors. As a result of the foregoing, it has not

been possible to confirm the correctness and the recoverability of the total Balance Sheet Debtors balance of Kshs.1,6,581,787 as at 30th June, 1999.

The Committee heard the evidence given by the Chief Executive that the debtors figure of Kshs.1,605,581,787 includes debts amounting to Kshs.12,538,516 which relate to payments made directly to Kenya Power and Lighting Company and National Water Conservation and Pipeline Corporation on behalf of employees who occupied Authority staff quarters.

The Committee was informed that:-

(i) **out of the outstanding subsistence allowance of Kshs.18,695,929, an amount of Kshs.12,257,443.90 had been accounted for leaving a balance of Kshs.6,338,485.55 which is yet to be accounted for.**

(ii) **the figure of overdrawn salaries amounting to Kshs.4,096,446.00 has since been reduced to Kshs.1,419,456.49.**

(iii) **dishonoured cheques totalling Kshs.19,695,108 comprise Kshs.13,974,400 tendered by M/s Marship Shipping Co. Ltd. on account of Messina Vessels which has since gone bankrupt and an amount of Kshs.5,720,707.50 from other organisations out of which an amount of Kshs.4,858,726.30 has been recovered leaving a balance of Kshs.861,981.20.**

The Committee was concerned that certain recoveries had not been made due to laxity on the side of management.

The Committee recommends that the Chief Executive should ensure that:-

(i) **recoveries on advances to employees are made in accordance with the laid down regulations;**

(ii) **the Authority should use all possible means including taking legal action to recover the Kshs.13,974,400 from M/s Marship Shipping Co. Ltd;**

(iii) **effective credit control system is put in place; and**

(iv) **the Criminal Investigation Department should carry out further investigation with a view to prosecuting and recovering the amount from the former Directors of M/s Marship Shipping, Messina Vessels and other related Companies.**

8. INVESTMENTS

The Long Term Investments figure of Kshs.697,210,014 as at 30th June, 1999 excludes deposits totalling Kshs.100,336,682 comprising of the principal sum of Kshs.55,785,918 and accrued interest of Kshs.44,550,765 held in six (6) collapsed financial institutions which had been written off. Although the Institutions where these deposits were held have since been taken over by the

Deposit Protection Fund Board of the Central Bank, the Authority has only received dividends amounting to Kshs.4,480,515 with no assurance of receipt of any future dividends. Accordingly, therefore, the Authority stands to totally lose an amount in excess of Kshs.50 million out of the original principal deposits of Kshs.55,785,918 held in the collapsed financial institutions.

The Committee heard the evidence given by the Chief Executive that the Authority investments had accrued interest amounting to Kshs.100,336,682 held in the following collapsed banks were transferred to the Central Bank's Deposit Protection Fund:-

(i) **Nairobi Finance**
(ii) **Pioneer Building Society**
(iii) **Middle Africa Finance**
(iv) **International Finance**
(v) **Thabiti Finance**
(vi) **Ari Credit and Finance**

The Committee further heard that the Authority has only managed to recover an amount of Kshs.4,480,515.70 and further that chances of recovering the entire amount is almost nil.

The Committee recommends that the Chief Executive should liaise with the Central Bank's Deposit Protection Fund with a view to recovering the entire Kshs.100,336,682.

The Committee further recommends that surcharge action be taken by the Inspector-General (Corporations) against officials of the Authority who flouted the Treasury Circular No.10 of 1992 in making the said investments.

COMMUNICATIONS COMMISSION OF KENYA

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE COMMUNICATIONS COMMISSION OF KENYA FOR THE YEAR ENDED 30TH JUNE, 2000

1. KAREN PLOTS - LR 12445 AND 12550

Under Legal Notice 155 of 1998 (Transfer and Vesting of Assets and Liabilities Order), the Commission inherited two parcels of land located at Karen, Nairobi against land reference Nos. LR 12445 and LR 12550 from the now defunct Kenya Posts and Telecommunications Corporation. The two (2) plots had previously been acquired in a very irregular manner by the former Kenya Posts and Telecommunications Corporation at a total cost of Kshs.62,764,141 which included penalties of Kshs.4,716,471 imposed by the vendor who also acted as on advocate for the purchaser but without disclosing his interest in the ownership of the two properties. The defunct Corporation had also additionally incurred expenditure amounting to Kshs.196,761,385 in respect of professional fees in relation to a project which was intended to be undertaken on the plots. A review of the position during the year 1999/2000 showed that the title documents for the properties were still held by the Kenya Commercial Bank where the same are presently encumbered for close to Kshs.100 million. It would, therefore, appear that the transfer of ownership for these properties in favour of CCK cannot be effected unless the title deeds are redeemed from the KCB, an option which the Commission does not consider financially prudent, particularly in view of the expenditure involved as well as the amount already spent on the plots. Although it is now understood that the Commission is pursuing refund of the sums of money paid to the vendor for the plots through legal action taken under HCC No.943 of 1999 the outcome of the subject suit, which is still being awaited, may quite likely not address the very substantial expenditure of Kshs.196,761,385 incurred as professional fees for a project on the plots and which evidently may never take off.

The Committee heard the evidence given by the Chief Executive that land parcels, Karen Plots-LR 12445 and LR 12550 were inherited from the defunct KP&TC and that their titles have not been transferred to the Commission.

The Committee was informed that:-

(i) **The properties were charged for a loan of Kshs.27 million with the Kenya Commercial bank Ltd. by the Vendors Mr. Chege Kirundu and Benja Ltd knowing that there was an existing Sale Agreement.**

(ii) **The properties are currently encumbered for over Kshs.100 million and cannot be transferred until they are redeemed and that the Commission does not consider its value for money to redeem them.**

(iii) **The Commission considers it a lot more prudent to pursue the refund of money paid to the vendor by the defunct KP&TC and that, as a result, the Commission is prosecuting a case No. NRB HCCC NO.943 of 1999.**

(iv) **The Commission has taken up the issue of professional misconduct and breach of trust on the part of Ms Kirundu & Co. Advocates with the Advocates Complaints Commission.**

The Committee noted with concern that the Commissioner of Police and the Advocates Complaints Commission have not taken action against Mr. Chege Kirundu for committing a felony and for professional misconduct respectively.

The Committee strongly reiterates its earlier recommendations under paragraph 4 of the 1995/96 Accounts Ninth Report page 6 that: -

(i) **The Attorney General should expeditiously investigate and institute criminal charges against Mr. Chege Kirundu and Mrs. Lucy Wamaitha Chege.**

(ii) **Messrs. Kirundu and Company Advocates be reported to the Law Society of Kenya Complaints Commission for professional misconduct and breach of trust.**

(iii) **The Chief Executive should pursue the refund of money paid to the vendor by the defunct KP&TC to its conclusion.**

2. **FIXED ASSETS.**

During the year 1999/2000, the Commission, through Vesting orders issued under Legal Notice No. 155 of 1998, again inherited land and properties from the former Kenya Posts and Telecommunications Corporation which, according to records of the then KPTC, were valued at total of Kshs.232,300,000 as at 3rd June, 1999. Records of the Commission, however, reflect a value of Kshs.621,733,000 against assets transferred and received by the Commission as of the same date. The resultant difference of Kshs.389,433,000 has not been analysed or reconciled and as a result the accuracy of the Balance Sheet fixed assets figure of Kshs.775,672,000 as at 30th June, 2000 could not be confirmed.

The Committee heard the evidence given by the Chief Executive that the Commission through vesting orders issued under legal Notice N.155 of

1998, inherited land and properties from the defunct KP&TC and that the valuers were provided for under the Tysons Valuation Report.

The Committee was informed that the value of Kshs.232,300,000 was extracted from KP&TC proposal Report and that the Balance Sheet fixed assets figure of Kshs.775,672,000 as at 30th June, 2000 is accurate and correctly stated.

The Committee recommends that the Chief Executive should ensure that an up-to-date Fixed Assets register is maintained.

3. BAD AND DOUBTFUL DEBTS PROVISIONS.

As at 30th June, 2000 the Commission made a provision of Kshs.25,844,275 for bad and doubtful debts against certain debtors accounts, some of which were inherited from the defunct Kenya Posts and Telecommunications Corporation. The Corporation has not, however, fully justified the above quantum of the provision, particularly in view of the fact that majority of the debtors involved are still in businesses regulated by the Commission.

The Committee heard the evidence given by the Chief Executive that the Commission made a provision of Kshs.25,844,275 for bad and doubtful debts against certain debtor's accounts at 30th June, 2000 and that some of the debts were inherited from the defunct Kenya posts and Telecommunications Corporation.

The Committee was informed that:-

(i) **the outstanding debts of Kshs.65,380,439 comprise of:-**

		Kshs.
(a)	Broadcasting - Television	62,908,501
(b)	Broadcasting - Radio	932,436
(c)	Vendors and Contractors	1,539,502
	Total	65 ,380,439

(ii) **The Commission is making every effort to ensure that all outstanding debts are reconciled and collected within reasonable periods and that it has engaged the services of debt collectors and lawyers to help in the recovery of the more difficult debtors.**

The Committee recommends that the Chief Executive use all means possible including litigation to recover the outstanding amount in full.

KENYA SUGAR AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA SUGAR AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 1999.

1. SHORT TERM DEPOSITS

As was the case in the previous year, Kenya Sugar Authority held investments in two (2) commercial banks totalling Kshs.33,570,700.65 as at 30th June, 1999. The investment of these surplus funds in commercial banks would appear to contravene Treasury Circular No.10 of 15th July, 1992 which requires that such investments be made in either Treasury Bills or Bonds while investments elsewhere would require prior Treasury approval. I have not, however, seen Treasury's approval for the investment of these funds in the two commercial banks.

The Committee heard the evidence given by the Chief Executive that investments amounting to Kshs.33,570,700.65 held in two commercial banks contrary to Treasury Circular No.10 of 15th July, 1992 have since been withdrawn and that any short term surplus funds are now invested in Treasury Bills.

The Committee recommends that the Chief Executive should invest any surplus funds strictly in accordance with requirements of the of the Treasury Circular No.10 of July 15, 1992 and that in future any Chief Executive of the Authority who contravenes Treasury Circulars on investments of surplus funds should be relieved of his duties forthwith and accordingly surcharged.

SUGAR DEVELOPMENT FUND

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF SUGAR DEVELOPMENT FUND FOR THE YEAR ENDED 30TH JUNE, 1999.

1. TISSUE CULTURE PROGRAMME

The Fund Accounts for 1998/99 show expenditure of Kshs.140,125,000 against Seed Cane expenses - plantlets. In its 29th meeting held on 20 January 1998 the Sugar Development Fund Committee approved the propagation of a total of 5 million plantlets at a price of Kshs.35 each over a period of five years or at the rate of Kshs.35,000,000 per year. Records of the Fund, however, show that 4,003,571 plantlets were propagated in 1998/99 and total expenditure of Kshs.140,125,000 incurred contrary to the number of one million plantlets approved by the Committee for that year. Apart from the fact that the Committee's approval to vary the earlier arrangement of spreading the purchase over a period of five years has not been seen, the expenditure of Kshs.140,125,000 incurred in 1998/99 was far in excess of the Committee's approved provision of 1 million plantlets at Kshs.35,000,000. In addition, it has also not been possible to confirm that the contractor did actually propagate and deliver all the 4,003,571 plantlets valued at Kshs.140,125,000 as the delivery records seen do not tally and in a number of cases contain duplication. It has also not been possible to establish how the plantlets were subsequently distributed as no such records were availed at any of the two (2) main research stations operated by the Authority.

The Committee heard the evidence given by the Chief Executive that the 29th SDF Committee meeting of 20th January, 1998 approved propagation of 5,000,000 plantlets at 35/= each over a period of five years and that 4,003,571 plantlets were propagated by KARI in the year under review in accordance with Fund's requirements and timing.

The Committee further heard that reconciliation of deliveries revealed that the contractor did actually propagate and deliver to the Fund's research centres plantlets totalling 4,003,571 and that there had been no duplication of delivery notes.

The Committee was concerned that the Fund varied the earlier arrangement for spreading of the purchase over a period of five years without recourse to the Board and that this brought financial constraints to the Fund.

The Committee was further concerned that it has not been possible to ascertain that the plantlets totalling 4,003,571 were indeed propagated and delivered by the contractor.

The Committee recommends that:-

(i) **The Chief Executive should seek post facto authority from the Board for variation of the propagation period from five years to one year for the four cane commodities.**

(ii) **The office of the Controller and Auditor should carry out a verification exercise to ascertain that plantlets totalling 4,003,571 were actually propagated and delivered to Research stations.**

(iii) **The then Chief Executive Mr. Chahonyo should be investigated by anti-corruption agencies for possible abuse of office and corrupt practices in the culture tissue programme.**

2. **LOANS TO COMPANIES.**

As in the previous years, the overdue loans held by the Sugar Companies and Out-growers Companies stood at Kshs.2,108,097,058.86 net of a provision for doubtful debts of Kshs.166,817,821.79 as at 30th June, 1999. The outstanding loans interest was Kshs.1,026,903,763.85 also net of a provision of doubtful debts of Kshs.130,597,700.92 as of the same date. The above very huge amount of loan arrears clearly indicates that Sugar Companies and also outgrowers companies were not repaying their loans. If it continues, this poor loan repayment performance is likely to adversely affect the loan portfolio of the Fund and may also even make it difficult for the Fund to continue assisting the Sugar Sector in terms of issuance of future loans.

The Committee heard the evidence given by the Chief Executive that repayment of overdue loans amounting to Kshs.2,108,097,058.86 held by Sugar Companies and Out-Growers Companies is poor and that this has adversely affected the loan portfolio capacity of the Fund.

The Committee further heard that the Fund has suspended approval of any additional loans to the defaulters and that recovery instructions have been issued to Lawyers in cases where loanees have neither given reasonable loan repayment schedules nor shown commitment to repay the loans.

The Committee recommends that the Chief Executive should use all means possible, including legal redress, to be carried out by the Board's Legal Department, to recover the overdue loans amounting to Kshs.2,108,097,058.86.

3. **LEGAL FEES**

During the year 1998/99, expenditure totalling Kshs.1,144,840 was incurred by the Fund in respect of legal fees as at 30th June, 1999. The Fund's records show that a total amount of Kshs.20,076,072 was paid to a firm of Advocates as part

payment against their Fee Note Nos.265 to 368 all totalling Kshs.40,152,144. Records further show that two (2) other firms of Advocates were also paid fees amounting to Kshs.6,751,910 and Kshs.4,244,250 respectively. These payments were reportedly made to the lawyers in respect of engagement to recover overdue loans.

Apart from the fact that it has not been possible to establish such collections by the lawyers and, therefore, to justify the substantial payments, the expenditure appears to have initially been charged to expenditure code 344 but was later reversed and charged to individual sugar companies and outgrowers' accounts without the latter's agreement. The Fund has not produced evidence to support the legal firms' entitlement to the payments particularly in view of existence of a Legal Department at the Authority which should have been able to collect outstanding loans form defaulters.

The Committee heard the evidence given by the Chief Executive that the Fund incurred an amount of Kshs.28,174,206 in respect of legal fees for recovering overdue loans.

The Committee was informed that the following sums were recovered after instructions were issued to the firms named herebelow:-

Law firm	Debt sum	debtor	Amount recovered	Fees paid
Wetangula	1,089,954,672.99	Nzoia Sugar	101,931,721.00	9,503,872.00
Wetangula	782,208,973.51	Muhoroni Sugar	9,463,435.90	6,832,918.00
Wetangula	218,459,189.90	Miwani Sugar	5,789,397.90	1,923,795.00
Wetangula	206,010,034.98	Nzoia Outgrowers	30,189,581.20	1,815,487.00
Kipkorir	141,791,455.92	Sony Sugar	125,628,967.85	1,066,810.90
Kipkorir	155,546,201.19	Sony Outgrowers	14,061,343.50	1,173,985.00
Kipkorir	266,677,221.37	Mumia Sugar	558,694,400.75	2,003,454.15
Hayanga	21,982,406.19	Muhoroni outgrowers	9,192,902.65	262,416.25
Hayanga	202,335,954.10	Chemelil Sugar	148,094,370.00	1,864,162.40
Hayanga	200,366,130.05	Busia	16,300,000.00	1,727,295.30
TOTAL	3,285,332,240.20		1,019,346,121.65	28,174,206.00

The Committee was concerned that in majority of the cases the lawyers were paid for writing demand letters to the defaulters and following such correspondence the defaulters made payments directly to Fund, hence no cases were taken to court.

The Committee recommends that the Chief Executive should ensure that the money paid to lawyers is recovered in full and where there was

justification for payment, claims be referred to the Registrar of the High Court for taxation.

The Committee further recommends:-

(i) that the then Chief Executive Mr. F. Chahonyo should be investigated by the anti-corruption agencies for possible abuse of office and corrupt practices with a view to having him prosecuted.

(ii) that Mr. Francis Chahonyo be barred from holding any public office conferred by the Republic of Kenya.

NATIONAL HOUSING CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL HOUSING CORP ORATION FOR THE YEAR ENDED 30TH JUNE, 1998

1. FINANCIAL POSITION

The Corporation's financial position continued to deteriorate and it recorded a loss of Kshs.61,710,992 (1996/97 - Kshs.17,728,612) during the year under review while Loan Amounts due to Government increased from Kshs.2,019,871,313 as at 30th June, 1997 to Kshs.2,268,335,975 as at 30th June, 1998. Further, the Corporation did not remit statutory deductions amounting to Kshs.2,747,019 in respect PAYE. The loss for the year could be mainly attributed to, inter alia, sale of Nairobi and Kibera Highrise Phase II Extension estates at prices below costs. Adequate explanations were not given as to why these projects were sold at prices below costs. The Corporations needs to strive to control its costs and price its projects realistically above costs so as to improves its profitability and remain in business in the long run.

The Committee heard the evidence given by the Chief Executive that the Corporation lost Kshs.61,710,992 during the year under review comprising of operating loss and Foreign Exchange loss of Kshs.49,235,612 and Kshs.12,475,380 respectively.

The Committee was informed that:-

(i) **the recorded loss of Kshs.61,710,992 was caused by less proceeds from sale of houses against total cost of the projects.**

(ii) **the loan amounts due to the Government increased from Kshs.2,268,335,975 to Kshs.2,019,871,313 as at 30th June, 1998 as the Corporation was unable to collect money due from local authorities to repay the loan.**

(iii) **statutory deductions amounting to Kshs.2,747,019 in respect of PAYE which had not been remitted in the year under review have since been remitted.**

The Committee observed with concern that the Corporation failed to control the cost of construction leading to massive losses when the houses were sold at prices below costs as per the prevailing market prices.

The Committee abhorred the unprofessional manner in which the housing projects were initiated and implemented which resulted in gross exaggerated construction costs and subsequent inability to sell the house at cost.

The Committee recommends that:-

(i) **the Chief Executive should ensure that the cost of construction is controlled through prudent commercial practices.**

(ii) **The Chief Executive should ensure that before any project is initiated, there is adequate budgetary provision.**

(iii) **the Chief Executive should liaise with the Parent Ministry and the Ministry of Local Government to ensure that loan arrears amounting to Kshs.2,268,335,975 is repaid.**

2. LOAN ARREARS DUE

The Balance Sheet Loan Arrears Due figure of Kshs.1,595,814,916 comprised Local Authorities and Rural Housing Loans balances of Kshs.1,518,675,374 and Kshs.77,139,542 respectively as reflected in Note 11 to the accounts. Included in the Local Authorities Loan Arrears Due is Kshs.23,567,692 due from Eldoret Municipal Council in respect of Kapsoya Site and Service Scheme which the Council disposed of but failed to clear loan arrears due. Further, the net Rural Housing Loan Arrears of Kshs.77,139,542 are mainly composed of unsecured loans which the Corporation had advanced in early 1970s. Unless loan recovery machinery is strengthened, the Corporation is likely to make substantial losses on these loans. The Corporation has not indicated what strategies it has put in place to address the loans management problem.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet Loan Arrears due figure of Kshs.1,595,814,916 comprised Local Authorities and Rural Housing Loans balances of Kshs.1,518,765,374 and Kshs.77,139,542 respectively.

The Committee was informed that:-

(i) **The matter concerning the Arrears due from Eldoret Municipal Council amounting to Kshs.23,567,692 was taken to court and determined in favour of the Corporation which is in the process of executing the decree.**

(ii) **The cases in arrears in respect of the Rural Housing Loan amounting to Kshs.77,139,542 have been passed on to the Lawyers for recovery.**

The Committee reiterates its earlier recommendation under paragraph 2 of the 1995/96 Accounts, in the 9th Report that the Chief Executive should liaise with the Parent Ministry and the Ministry of Local Government to ensure that the loan arrears of Kshs.1,595,814,916 is recovered in full.

3. MOTOR VEHICLES VOLVO KAE 965T, PAJERO KAD 954R AND PEUGEOT KAJ 172Z

As in the previous years, the Corporation's motor vehicles registration numbers KAE 965T (Volvo and (Pajero) KAD 954R continued to bear civilian number plates contrary to the regulations. During the year under review the Corporation purchased a Peugeot 405 registration number KAJ 172Z at a cost of Kshs.1,782,743 and the vehicle was registered in the names of the Corporation and the Finance Manager. No evidence of waiver from the regulations has yet been seen allowing use of civilian number plates instead of the blue number plates required for State Corporations' vehicles. Although the peugeot 405 has been transferred to the Corporation, it is not clear why the vehicle was initially registered in joint names of the Corporation and the Finance Manager when the purchase price was paid by the Corporation alone. I was, therefore, unable to confirm that the three vehicles are properly registered and that they were being solely utilised for the Corporation's duties.

The Committee heard the evidence given by the Chief Executive that the Corporation's motor vehicles registration numbers KAE 965T (Volvo) and KAD 954R (Pajero) attached to the office of the Managing Director and which bore civilian number plates contrary to the regulations have since been registered with blue number plates.

The Committee was informed that the vehicle Peugeot 405 which had been registered in joint names of the Corporation and the Finance Manager, was transferred to the Corporation when it was discovered that the action had been irregular.

The Committee recommends that the Chief Executive should in future ensure that all vehicles belonging to the Corporation are registered with blue number plates as required of State Corporations' vehicles.

4. SHORT TERM DEPOSITS

Included in the Balance Sheet Short Term Deposits figure of Kshs.294,541,007 is an amount of Kshs.72,154,433 invested in a private bank contrary to the regulations. The bank was placed under statutory management by the Central Bank of Kenya and although the chances of full recovery of the amount are slim no provision for band and doubtful deposits has been made in these accounts. In the absence of such a provision., In am unable to confirm that the figure of short Term Deposits was fairly stated.

The Committee heard the evidence given by the Chief Executive that included in the Balance Sheet Short Term Deposits of Kshs.291,541,007, is

an amount of Kshs.72,152,433 invested in Prudential Bank Ltd. contrary to existing government financial regulations.

The Committee was informed that the bank, in 1998, failed to honour its obligations to retire the deposits and that only Kshs.2,798,869.80 had been paid in July 1998 leaving a balance of Kshs.69,355,563.35.

The Committee was further informed that Prudential Bank was placed under liquidation on 8th May, 2000 and that an amount of Kshs.5,381,616.80 has been received from protection Deposit Bank leaving a balance of Kshs.66,772,816.55.

The Committee noted that a provision for loss of 20% per annum is being made in the Accounts.

The Committee recommends that the officials of the Corporation who invested the funds contrary to the Treasury regulations be surcharged by the Inspector-General (Corporations).

5. SCHEMES IN PROGRESS

5.1 During the year under review, a construction company, was awarded a contract to construct 17 four bedroom and 5 three bedroom houses at a cost of Kshs.73,884,790 under Eldoret Mortgage Housing Scheme Phase III. The average cost per house, after including 15% mark up on the contact sum plus other incidental costs, worked out at Kshs.7,000,000. However, the Corporation was offering them for sale at Kshs.4,000,000 and Kshs.3,500,000 for four and three bedroom houses respectively thereby occasioning a notional loss of same Kshs.67,5 million.

5.2 The Corporation entered into an arrangement with an Estate Company to construct 22 houses on a 5 acre plot in Malindi, LR No.9364. A formal agreement or document detailing the specific terms and conditions of the venture was not available for audit. Further, the land title deed was not free of encumbrances. However, the Corporation had, by the conclusion of the audit field work, paid Kshs.5,306,000 towards the construction certificates and for release of land title deed held by a bank as security. No satisfactory explanation has been given as to why these payments were made prior to executing the agreement or joint venture documents as this action clearly exposes the Corporation to high risks. There was also no explanation as to how the price of land of Kshs.500,000 per acre was arrived at or how the contractor/party was identified.

In view of the foregoing, I could not satisfy myself that feasibility and viability studies were done before committing the Corporation into these risky projects and the that the Corporation will get value for money.

The Committee heard the evidence given by the Chief Executive that the Eldoret Mortgage Housing scheme Phase III was part of an earlier development carried out by the Corporation and for which land had been reserved in the Corporation's name for a long time.

The Committee was informed that:-

(i) **comprehensive designs by the Corporation's own Technical Staff. were made based on a viability study and it was envisaged that the units would cost between Kshs.1,200,000 and Kshs.1,500,000 for the 2 bedroom and 3 bedroom respectively.**
(ii) **The initial in-house designs were later ignored and consultants engaged to redesign, leading to high cost of the scheme.**
(iii) **No sales have been realised from the sale of the Houses.**

The Committee further heard that:-

(i) **the joint venture project between the Corporation and M/s Sabaki Estates Ltd to construct 22 houses on a 5 acre plot in Malindi failed to materialise and the venture was reverted to that of contractor and developer;**
(ii) **the title which was encumbered at the time of the joint venture has since been obtained;**
(iii) **the price of land pegged at Kshs.500,000 per acre took into account the fact that the plot had been serviced.**

The Committee observed the following:-

(i) **That, the redesigning of the Eldoret Mortgage Housing Scheme escalated the cost of construction leading to the cost of the completed Houses being higher than the prevailing market price.**
(ii) **That, the Corporation entered into partnership with Sabaki Estates Ltd. to develop a Housing Project on a parcel of land which the Corporation did not own and was charged at the time thereby exposing the Corporation to risk.**

The Committee recommends that the then Managing Director Mr. Lawi Kiplagat should be investigated by anti-corruption agencies for possible abuse of office and other corrupt practices.

6. TERMS AND CONDITIONS OF SERVICE

During the year under review, the Corporation reviewed and implemented new salary scales and allowances without the approval of the Parent Ministry and Office of the President as required by the regulations.

Further, the Chief Executive continued to enjoy a fully furnished Corporation house, usage of two Corporation vehicles, a monthly entertainment allowance of Kshs.4,500, security services of four guards at Kshs.2,500 per month per guard and unlimited medical cover, while his approved salary was consolidated and was inclusive of all the allowances. Further, the Chief Executive's outstanding imprest had accumulated to Kshs.6,786,151 as at 13th July, 1999. In addition, the Chief Executive incurred an expenditure amounting to Kshs.203,859 through the use of Senator Card No.5100 3786 5759 contrary to regulations.

As in the previous years, no evidence was made available for audit verification to confirm approval of these terms and conditions of service by the State Corporations Advisory Committee as required by Section 5 (3) of the State Corporations Act, (Cap 446). Consequently, I was unable to confirm that the payments are within the terms and conditions of service as approved and that the Corporation's ability to sustain the salaries in the medium and long term was taken into account.

The Committee heard the evidence given by the Chief Executive that the Corporation implemented new salary scales and allowances without the necessary authority which it later sought.

The Committee further heard that the then Managing Director Mr. Lawi Kiplagat was paid a salary of Kshs.270,000 per month from 28th February, 1995 when he was appointed Managing Director until 6th April 2000 when, he was suspended, without deducting tax.

The Committee further heard that the then Managing Director continued to enjoy unlimited medical cover, occupy a fully furnished Corporation House and draw a monthly entertainment allowance of Kshs.4,500 when his salary was consolidated and inclusive of all allowances.

The Committee was informed that the imprest held by the then Chief Executive amounting to Kshs.6,471,801.10 has been demanded from him.

The Committee noted that according to the contract Agreement between Mr. Lawi Kiplagat and the Executive Secretariat and Technical Unit (ESTU) of the Parastatal Reform Programme Committee, there was no provision for tax exemption.

The Committee further noted that the use of Senator Card has been cancelled.

The Committee was concerned that the Corporation effected salary increases without the approval of the Parent Ministry and the Office of the President.

The Committee was further concerned that the then Managing Director continued to enjoy other benefits and allowances when his salary was consolidated and inclusive of all allowances.

The Committee recommends that the Chief Executive should ensure that in future, any review of terms and conditions of service of the Corporation should be referred to the State Corporations Advisory Committee for approval.

The Committee further recommends that all benefits enjoyed and allowances paid to Mr. Lawi Kiplagat during his tenure as the Managing Director of National Housing Corporation including the imprest of Kshs.6,471,801.10 should be treated as a debt and be recovered from him with immediate effect.

The Committee further recommends that the then Chief Executive Mr. Lawi Kiplagat should be investigated by anti-corruption agencies for abuse of office and corrupt practices.

7. TENANT PURCHASE SCHEMES

The Balance Sheet Tenant Purchase Schemes figure of Kshs.473,206,342 includes Kshs.3,154,856 owed by 13 tenants each of whom owed more than Kshs.100,000 in respect of Nyayo Highrise Phase II Shops. Some of these tenants are ex-employees and other prominent personalities and current employees, who are expected to collect these rents and safeguard the Corporation's interests. There was no evidence that the Corporation has applied the necessary effort to recover these amounts. Unless recovery machinery is strengthened, the Corporation is likely to make large losses on these Schemes.

The Committee heard the evidence given by the Chief Executive that the rent arrears amounting to Kshs.3,154,856 owing form 13 tenants has since been reduced and the following tenants stated herebelow owed the amounts indicated against their names:-

		Kshs.
1.	James Peku	1,809,903
2.	Alai Margaret (deceased)	284,417
3.	Dave Mwangi, Deputy Secretary Office of the President	253,306

4.	**Haji Faisal**	**287,736**
5.	**Joseph Njuguna**	**872,503**
6.	**W.M. Wephkulu**	**223,389**
7.	**Joseph Shikumo**	**138,160**

The Committee recommends that the Chief Executive should ensure that the outstanding rent arrears are recovered from the defaulters.

KENYA RAILWAYS CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA RAILWAYS CORPORATION FOR THE YEAR ENDED 30TH JUNE, 1998.

1. FINANCIAL POSITION.

Although the Corporation's Accounts for the year ended 30th June 1998 reflect a surplus of Kshs.511,628,398 compared to the deficit of Kshs.1,173,425,343 realized in the previous year, the overall net position was an accumulated deficit of Kshs.5,308,253,037 as at 30 June, 1998 while the Balance Sheet reflected negative working capital of Kshs.296,019,725 as of the same date. In addition, the bank overdraft in the Main Bank Account of the Corporation and the overall net bank balances increased from Kshs.227,713,670 and Kshs.837,445,409 respectively, in the previous year to Kshs.401,026,237 and Kshs.1,342,025,672 as at 30th June, 1998. This was against approved bank overdraft limit of Kshs.300 million. The Corporation was also unable to service its loans obligations as they fell due. Quite evidently, therefore, the Corporation was still technically insolvent and its continued operation as a going concern was dependent upon the support of its creditors, bankers, lenders and Government.

The Committee heard the evidence given by the Chief Executive that despite a surplus of Kshs.511,628,398 having been realised by the Corporation in the year under review, the accumulated deficit stood at Kshs.5,308,253,037 as at 30th June, 1998 and the Balance Sheet reflected a negative Working Capital of Kshs.296,019,725.

The Committee further heard that the Bank Overdraft in the Main Account increased to Kshs.510 million against an approved limit of Kshs.300 million and that the increased overdraft was used to service outstanding payments due to M/s General Electric Company for maintenance of locomotives.

The Committee was further informed that the Corporation failed to honour her loan obligations due to Cash Flow constraints and that the following measures have been undertaken to increase its revenue:-

(i) **Dedication of wagons to customers to improve capacity and to secure commitment.**
(ii) **Performance contracts have been signed with oil companies such as Shell, Kobil and Total to improve the business volume.**
(iii) **Modification of wagons to carry heavy containers.**
(iv) **Harmonization of rail tariffs with the competitors.**

The committee was concerned that the Corporation exceeded the bank overdraft limit without the requisite authority and was unable to service its statutory obligations.

The Committee reiterates its earlier recommendation under paragraph 1 of the 1996/97 in the 9th Report that the Government should continue to restructure the Corporation to make sure that it operates commercially to enable it meet its obligations including all loan repayments

2. **FIXED ASSETS.**

The Balance Sheet reflected Net Tangible Assets balance of Kshs.8,691,436,097 as at 30th June, 1998. However, the actual value of the Corporation's tangible assets could not be confirmed because the value of assets brought into service and that of those withdrawn from service during the year could not be determined as the Computerized Assets Register schedules were not availed for audit check. Further, the above figure of Kshs.8,691,436,087 still excludes an undetermined value of Corporation's surveyed and unsurveyed lands not valued as at 30 June, 1998. In the circumstances, it was not possible, therefore, to confirm that the tangible assets of the Corporation are fairly stated in these Accounts.

The Committee heard the evidence given by the Chief Executive that the computerized Assets Register schedules which were not availed during the time of audit have since been availed for verification.

The Committee was informed that the Fixed Assets figure of Kshs.8,691,436,087 excludes undetermined value of the Corporation's surveyed and unsurveyed lands not valued due to financial constraints.

The Committee was concerned that the Corporation had not updated its fixed assets register.

The Committee recommends that:-

(i) **The Chief Executive should ensure that an up-to-date fixed assets register is maintained.**
(ii) **The Chief Executive should ensure that its land is surveyed and valued by March 2003.**

3. **IRREGULAR ALLOCATION OF LAND.**

Available information indicates that two (2) of the Corporation's pieces of land measuring 0.25 ha and 0.30 ha located in Kisumu adjacent to KSM/MUN/BLOCK VII/410 and 411 were allocated by the Commissioner of Lands to two prominent personalities without the knowledge and approval of the Kenya Railways Corporation. When the Corporation became aware of the irregular allocation of

the properties, a protest was submitted to the Commissioner of Lands with a request for cancellation of the titles issued in respect of the two parcels of land. As far as it has been possible to ascertain, no action has been taken to avert the ownership of these parcels back to the Corporation. In another case, an undetermined size of plot was allocated to a lady tenant at Nairobi South B on 27th June, 1981 under a Temporary Operating Licence(TOL). Although the tenant continues to occupy the land under TOL, it is also understood that she has erected permanent structures on the land contrary to the terms of her occupation for the land. In addition and for reasons not clearly understood, the parent Ministry, vide unreferenced two letters dated 21 February 1995 and 19th July, 1997 wrote to the Corporation urging it to process an allotment letter for the plot for issuance of title deed to the tenant. It has, however, not been possible to establish the justification for the Ministry's involvement in the affairs of a tenant, who had actually not only breached the agreement for her tenancy but who evidently also deserved eviction. The present ownership status of this parcel of land has also not been confirmed.

The Committee heard the evidence given by the Chief Executive that two pieces of land belonging to the Corporation measuring 0.55 ha located in Kisumu were allocated to Mr. Peter Nyakiamo and Mr. Oloo Aringo without the consent of the Corporation.

The Committee further heard that the two parcels remain undeveloped and the Commissioner of Land has been asked to revoke the issuance of titles.

The Committee was informed that a lady Tenant, Mrs. Catherine Nyamweya who had been allocated a plot on TOL in 1981 had irregularly put up permanent structures and defaulted in paying rents.

The Committee observed that the then Minister for Transport and Communications Hon. Dalmas Otieno, had without lawful authority prevailed upon the Corporation to allocate the land to Mrs. Catherine Nyamweya.

The Committee was concerned that the tenant had put up permanent buildings on the plot with apparent connivance of the management of the Corporation and uncalled for interference from the parent Ministry.

The Committee recommends that:-

(i) **the Chief Executive should take all the necessary action to ensure that the irregular allocation of the two plots KSM/MUN/410 and 411 to Messrs. Peter Nyakiamo and Mr. Oloo Aringo in Kisumu is revoked;**

(ii) **the Commissioner of land reverts the two irregular allocated plots to the Corporation;**

(iii) **the Chief Executive should collect rents due from Mrs. Catherine Nyamweya and dispose of the plot to the highest bidder in accordance to the Procurement Regulations currently in force; and**

(iv) **the Parent Ministry including the Minister must cease interfering in the matter between the tenant, Mrs. Catherine Nyamweya and the Corporation.**

4. **WORK IN PROGRESS**

Included in the value of Works-In-Progress figure of Kshs.1,018,090,831 is expenditure for the year 1997/98 amounting to Kshs.66,056,997 which could neither be supported nor tied to any specific sanctioned Estimates. Further, five (5) Capital Projects valued at Kshs.13,319,430 were completed during the year but completion certificates were apparently not issued and the amount, therefore, could not be capitalized. In view of the foregoing, I was not able to confirm that the Work-In-Progress figure of Kshs.1,018,090,831 was accurately stated in these Accounts.

The Committee heard the evidence given by the Chief Executive that supporting documents in respect of Works-In-Progress valued at Kshs.62,728,250 which were not availed during the time of audit have since been availed and reconciled.

The Committee further heard that supporting documents in respect of Kshs.3,328,747 have not been traced while five capital projects valued at Kshs.13,319,430 were capitalised after completion of the necessary documents.

The Committee recommends that supporting documents in respect of Works-In-Progress valued at Kshs.3,328,747 should be availed to the Auditor-General (Corporations) for verification by 31st December, 2002.

5. **DEBTORS**

The Balance Sheet Debtors amount of Kshs.3,388,344,291 comprises of, among others, Traffic Account of Kshs.2,268,997,958 and Advances (General) amount of Kshs.586,379,352. The debtors figure has increased by Kshs.1,305,041,167 from the previous year's balance of Kshs.2,083,303,124; thus reflecting possible poor or inadequate debt collection. Although the Corporation has made a provision of Kshs.29,788,573 for bad and doubtful debts based on previous years practice, the provision of Kshs.29,788,573 appears inadequate, considering the level of the Balance Sheet Debtors of Kshs.3,388,344,291 as at 30th June, 1998. Until the Corporation's debt collection machinery is improved, the Corporation is likely to make substantial losses in respect of unrecovered debts.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet Debtors increased to Kshs.3,388,344,291 by Kshs.1,305,041,167 from the previous year's balance of Kshs.2,083,303,124· apparently due to gross inadequate debt collection and credit control.

The Committee was informed that the increase in debtors balance of Kshs.1,305,041,167 is attributable to increase in Traffic Account, Land Sale proceeds and Advance (General) by Kshs.521,173,919, Kshs.494,975,379 and Kshs.283,232,406 respectively.

The Committee noted that the provision is inadequate and that the Corporation is planning to make provision for bad and doubtful debts in addition to general provision.

The Committee was concerned that the Corporation has not put in place stringent measures for collecting debts.

The Committee recommends that the Chief Executive should:-

(i) ensure that effective debt collection machinery is put in place.
(ii) strengthen the credit control measures.

6. **BANK BALANCES**

The Balance Sheet Bank overdraft figure of Kshs.1,342,025,672, as reflected in Note 10 to the Accounts, includes unpresented cheques totalling Kshs.1,062,725,393 out of which cheques valued at Kshs.415,211,356 dating back to May, 1996 and which are, therefore, stale, ought to have been written back in cash book. In this regard, it is also understood that the Corporation was holding a very large value of stale cheques which because of liquidity problems, were never released to payees after the same were drawn and which have become stale while still in the custody of the Corporation. Also included in the above figure is Retention Account figure of Kshs.9,750,954 which could not be reconciled with the General Cash Book figure of Kshs.17,424,351. The above balance also includes miscellaneous Bank Credits of Kshs.27,480,897 whose analyses and details were not provided for audit review. In view of the foregoing, the correctness of the Bank Balances figure reflected in these Accounts could not be ascertained or confirmed.

The Committee heard the evidence given by the Chief Executive that the cheques valued at Kshs.415,211,356 which were stale and dating back to May 1996 have since been written back in the cash book and that the Corporation held a large value of stale cheques which could not be released to payees due to liquidity problems.

The Committee was informed that:-

(i) **The Retention Account figure of Kshs.9,750,954 was not agreeing with the General Cash Book figure of Kshs.17,424,351 because retention accounts from Kampala, Kilindini and Kisumu had been excluded from Balance Sheet figure.**

(ii) **The details in respect of miscellaneous credit amount to Kshs.27,480,879 are being sought from the concerned bank.**

The Committee noted that the stale cheques have been reversed and post dated cheques which are not committed are no longer issued.

The Committee recommends that the Chief Executive should ensure that cheques are only issued subject to availability of funds.

7. NET PUBLIC DEBT

Audit inability to confirm the correctness of the Net Public Debt figure in the Corporation's Accounts has been expressed in previous reports. A review of the situation during the year 1997/98 showed that there was an unreconciled difference of Kshs.85,774,626 between the Corporation's On-Lent loan balance of Kshs.1,649,438,551 and the confirmed Treasury balance of Kshs.1,563,663,925 as at 30th June 1998. In the absence of any explanation or reconciliation of the above difference, it is not possible to confirm that the net public debt is fairly stated in these accounts. Also included in the figure of the Net Public Debt is Kshs.476,440,919 in respect of Paris Club re-scheduled loan, the relevant Agreement for which was still not seen and as a result, it was not possible to confirm the terms of the loan and also to establish whether such terms were being complied with.

The Committee heard the evidence given by the Chief Executive and was informed that the difference of Kshs.85,774,626 between the Corporation's on-lent loan and the Government of Kenya balance has since been reconciled while the relevant agreement in respect of the Paris club Loans has been signed.

The Committee recommends that the net Public debt should be reconciled on annual basis and agreements for the loans be availed to the auditors during the audit review.

8. STAFF PENSION FUNDS

In my previous years' reports, concern was also expressed on the fact that the Corporation has been retaining provisions for staff pensions, widows and orphans pensions and gratuities and provident funds within the Corporation instead of investing such funds outside the Corporation with reliable third parties. A review of the position during the year 1997/98 showed that a total of

Kshs.803,377,267 as reflected on Statement No.4 to the Accounts, was held within the Corporation as such funds as at 30 June, 1998. No satisfactory explanation has been given as to why the Corporation has not invested these staff pension funds with reliable third parties. Instead, the Corporation continues to hold the funds and to pay staff pensions from current operating income, a practice which is likely to jeopardize the interest of the pensioners in view of the persistent financial problems which the Corporation has been experiencing.

The Committee heard the evidence given by the Chief Executive that the Corporation has been retaining pensions for staff, widows and orphans pensions and gratuities and provident funds within the corporation and that an amount Kshs.25 million is paid monthly as pensions from current operating income.

The Committee further heard that an independent Management Board of Trustees has been established in compliance with the Retirement Benefit Act and that assets estimated at Kshs.13,689,600,000 are earmarked for transfer to the Pension Scheme.

The Committee observed that the Corporation has persistently violated statutory requirements to invest pension funds in accordance with the provision of the Retirement Benefit Act.

The Committee recommends that the Chief Executive should ensure that:-

(i) **all pension funds and gratuities in the Corporation's books of account are transferred to an independent pension fund to be administered in accordance with the Retirement Benefits Act.**

(ii) **schedules in respect of assets estimated at Kshs.13,689,600,000 be availed to the Auditor-General (Corporations) for verification by 31st December, 2002.**

AGRICULTURAL FINANCE CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE AGRICULTURAL FINANCE CORPORATION FOR THE YEAR ENDED 30TH JUNE, 1998.

1. OPERATING PERFORMANCE

During the year under review the Corporation incurred a loss of Kshs.199,974,000 which brought its accumulated losses to Kshs.336,167,000 as at 30th June, 1998. The Accounts for 1997/98 also reflect Creditors accounts totalling Kshs.1,733,431,000 as well as substantial loans owing from the Corporation but not being serviced. Although there is evidence of intention to restructure the Corporation in order to turn its financial performance round, the Corporation is, however, presently insolvent technically and its continued operation as a going concern will depend on the support of Government, creditors and lenders.

The Committee heard the evidence given by the Chief Executive that the Corporation incurred a loss of Kshs.199,974,000 during the year under review bringing accumulated losses to Kshs.336,167,000 as at June, 1998.

The Committee further heard that the Corporation's Accounts reflected creditors accounts of Kshs.1,733,431,000 and out of this, an amount of Kshs.1,624,754,000 relates to loans owing from the Corporation to Government which are not being serviced.

The Committee was informed that a Cabinet Paper is being prepared for immediate financial restructuring of the Corporation.

The Committee observed with concern that despite submission of restructuring study to the Government in 1990, the recommendations made thereof have not been acted upon thus hampering the operations of the Corporation.

The Committee recommends that the Chief Executive should liaise with the Parent Ministry with a view to completing the ongoing restructuring of the Corporation.

2. LOAN ARREARS.

The Corporation did not recover large and small scale loans together with accrued interest thereof totalling Kshs.2,644,127,663 as at 30th June, 1998.

These outstanding arrears of Kshs.2,664,127,663 include loans plus interest totalling Kshs.1,427,168,000 which have remained outstanding for over ten years, an indication that the loans may eventually become non-recoverable.

The Committee heard the evidence given by the Chief Executive that the collectability of both large and small scale loans has continued to deteriorate and that loans together with accrued interest totalled Kshs.2,644,127,663 as at 30th June, 1998.

The Committee was informed that the following factors have impacted negatively on the financial condition of the loanees:-

(i) **Implementation of tighter fiscal and monetary policies which led to increased expenses in all spheres of the economy.**

(ii) **Liberalisation of the marketing of farm produce adversely affected the collection of outstanding loans as most loanees abandoned the delivery of produce to such marketing bodies as KCC, KPCU, NCPB and KFA.**

(iii) **The Ethnic clashes and banditry that rocked several parts of the country in the past, adversely affected loan payments as farming operations were disrupted.**

(iv) **Weather related events particularly the El-nino and draught which has reduced farm incomes throughout the country.**

The Committee while noting that the Corporation is in the process of being restructured which among others entails write offs, was concerned that certain loanees appear to be capable of servicing their loans and should be made to honour their obligations.

The Committee recommends that the Chief Executive should improve the Corporation's debt recovery machinery and recover all the loans as per law and agreements.

The Committee further recommends that write offs should only be extended to those loanees where there is full evidence of inability to repay.

- ***List of loanees forms part of the annex of this report (Annex D(2)***

3. DEBTORS.

The Balance Sheet Debtors figure of Kshs.77,195,000 as at 30th June, 1998 includes debit balances totalling Kshs.3,999,000 whose detailed analyses were not seen. Without the analyses, it was not possible to confirm the nature of such debit balances or even to ascertain how the amount affected the overall Balance Sheet Debtors position of Kshs.77,195,000 as at 30th June 1998. The Debtors

balance also includes rent receivable totalling Kshs.11,840,000 most of which has remained uncollected for a long time. As expenses incurred by the Agent and other maintenance costs, of rent receivable on a building property owned jointly with another Corporation. Details of the rent charged and the total expense incurred by the Agent were also not availed for audit review. Arising from the foregoing, it is not, therefore, possible to confirm the correctness of the above rent income of Kshs.11,840,000 reflected in the Accounts of the Corporation for the year 1997/98.

The Committee heard the evidence given by the Chief Executive that the debit balance of Kshs.3,999,000 is a suspense account item which has since been reduced to Kshs.439,486.

The Committee further heard that the rent receivable of Kshs.11,840,000 relates to 50% of the Development House rent debtors and for which all financial records and books of account are maintained by ADC who are the joint owners of the House.

The Committee noted that the details of the rent charged and the total expense incurred by the agent have since been availed to the Auditor-General (Corporations) for verification.

The Committee recommends that the Chief Executive should reconcile the suspense account of Kshs.439,486 and avail the reconciliation to Controller and Auditor-General for verification by 31st March, 2003.

SEASONAL CROP CREDIT AGENCY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE SEASONAL CROP CREDIT AGENCY ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1998

REDEEMABLE LOANS

As was the case in the previous year, the Scheme was not able to service the principal loan of Kshs.728,308,997 advanced to it by the Cereals and Sugar Finance Corporation. This loan has remained unpaid for many years while the interest on the same increased from Kshs.3,412,365,504 in 1996/97 to Kshs.3,924,928,835 as at 30th June, 1998. Although the Scheme has made full provision of Kshs.630,159,460 to cater for bad and doubtful debts on GMR loans and the 1984 Seasonal Crop Credit loans, following Government directive to write off these loans, the same directive did not, however, apply to the Cereals and Sugar Finance Corporation loans from which the money lent out to farmers had been borrowed. Therefore, if the money loaned out to farmers is not recoverable, the prudence to accrue interest on the same loans is considered evidently questionable. In addition, the Agricultural Finance corporation has not to-date remitted a total of Kshs.689,464,240 collected in the past on behalf of the Scheme. The non-remittance of these collections has apparently resulted in the under-funding of the Scheme and has consequently rendered the Scheme inactive.

The Committee heard the evidence given by the Chief Executive that the Corporation used to be advanced funds by Cereals and Sugar Finance Corporation which were then on-lend to farmers for production of maize and wheat under the Guaranteed Minimum Returns Scheme (GMR) (1942-1978) and the Agency Seasonal Crop Credit Scheme (1980-1984).

The Committee was informed that:-

(i) **The GMR Scheme was discontinued in 1978 when the Central Agricultural Board failed to meet accumulated approved claims thus leaving funds obtained from Cereals and Sugar Finance Corporation unpaid.**

(ii) **Due to drought experienced during 1984, farmers could not service their loans leading to the Corporation (Agricultural Finance Corporation) being unable to service the loans obtained from Cereals and Sugar Finance Corporation.**

(iii) The Government, in 1989, directed the Corporation to write off all the outstanding GMR loans and the 1984 Seasonal Crop Credit loans amounting to Kshs.617,172,866.

The Government further directed that the Corporation should undergo restructuring.

The Committee was further informed that the Corporation did not service the accumulated interest of Kshs.3,924,928,835 on account of both irredeemable and redeemable loans as well as on Seasonal Crop Credit loan of Kshs.689,464,240 which has been outstanding since 1989 due to:-

(i) The restructuring of the Corporation which was to entail the conversion of some redeemable loans into equity and others into Government grants.

(ii) The balance of the redeemable loans which was to have its repayment rescheduled.

(iii) The non-payment of these loans in the anticipation that the restructuring recommendations would be approved.

The Committee noted that since 1989 the Corporation has been servicing the loans obtained from Cereals and Sugar Finance Corporation which were not subject to the restructuring process.

The Committee further noted that a Sessional Paper to restructure the Agricultural Finance Corporation has been tabled in the House for consideration.

The Committee therefore recommends that the Chief Executive should liaise with the Parent Ministry with a view to completing the on-going restructuring of the Agricultural Finance Corporation in order to address the continued justification of the scheme and implement the recommendations contained in the Sessional Paper once it is adopted.

NATIONAL WATER CONSERVATION AND PIPELINE CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL WATER CONSERVATION AND PIPELINE CORPORATION FOR THE YEAR ENDED 30TH JUNE, 1998.

1. DEFICIT

The Corporation's Income and Expenditure accounts for the year reflect a deficit of Kshs.387,991,209 (1996/97 - Kshs.266,968,259) which brings the cumulative deficit as at 30th June 1998 to Kshs.1,988,017,926. As reported the previous year, the deficit is attributable to an increase and upward adjustment of accumulated depreciation charge resulted from revaluation of assets in 1996. It should be noted that unless the Corporation's revenue base is improved, the Corporation will continue to post deficits. Further, because of poor financial base the Corporation may be unable to achieve, in future, its objective of managing and developing water projects as provided for in the enabling Legal Notice No.270 of 24th June, 1988.

The Committee heard the evidence given by the Chief Executive that the Corporation posted a loss of Kshs.387,991,209 in the income statement which brought the accumulated deficit to Kshs.1,988,017,926 in the year under review.

The Committee was informed that the loss was attributable to high depreciation charge on the Fixed Assets and increase in the cost of power and chemicals for water production.

The Committee was concerned that despite the increase in tariffs in November 1999, the benefits accrued to the Corporation have been eroded to the point of preparing for another revised water tariffs.

The Committee was further concerned that the Corporation has continuously applied for a review of tariffs upwards while it is unable to collect debt based on the current tariffs.

The Committee recommends that the proposed revision of water tariffs soon after the revised rates of 1999 should be shelved and instead the Corporation should collect all debts from its consumers.

The Committee further recommends that:-

(i) **the chief Executive should ensure that the existing water infrastructure is rehabilitated and properly maintained to reduce water wastage.**

(ii) **the management of the Corporation be restructured in order to address debt collection, maintenance of water pipe system and reduction of operational costs in order to make water accessible to all Kenyans at affordable prices.**

2. WATER DEBTORS

As in the previous years, one of the major assets of the Corporation is still the Water Debtors which as at 30th June, 1998 stood at Kshs.913,401,884 (1996/97 - Kshs.1,090,535,898) after an adjustment downwards of Kshs.396,274,538 attributable to billing errors and 20% provision for Bad and Doubtful debts of Kshs.228,350,471. Revenue collection during the year was Kshs.538,967,046 (1996/97 Kshs.597,729,622) indicating a reduction in revenue collection, despite an increased water volume resulting from completion of Second Mombasa and Coastal Water Project on rehabilitation and augmentation works.

As pointed out in my previous year's report, the system of charging and raising water bills and eventual revenue collection needs to be evaluated with a view to putting in place a proper control policy. In the meantime, it is doubtful that the Corporation will realize the debts reflected in the Balance Sheet. Similarly it is doubtful whether the objectives of the Kshs.2.5 billion 2nd Mombasa and Coastal Water Project which ended in October 1998 have fully realized.

The Committee heard the evidence given by the Chief Executive that water debtors stood at Kshs.913,400,884 as at 30th June, 1998 and that this was as a result of delay of payments by consumers including Government institutions.

The Committee was informed that in order to address the revenue collection and realise all collective debts due, the following measures have been taken:-

(i) **major disconnection exercise has been undertaken amongst the defaulters and as a result a total of Kshs.50 million was realised.**

(ii) **Raising of accurate water bills by computerising the entire billing system.**

(iii) **rehabilitation of the existing water supply systems in order to achieve the original output capacity.**

The Committee noted with concern the failure by various Ministries and Departments to pay water bills despite budgetary allocation being made.

The Committee recommends that the Chief Executive should continue to use all means possible including disconnection until all debts due are collected.

3. OTHER DEBTORS

Included in the Other Debtors figure of Kshs.26,092,465 (1996/97 Kshs.20,014,115) are amounts of Kshs.942,383 and Kshs.6,0975,778 debited to General Suspense and Sundry debtors respectively. The former is comprised of debits in bank statements for which supporting documents were not made available for audit verification, while the latter includes debtors totalling Kshs.1,908,000 in respect of outstanding sale proceeds of old Motor vehicles during the 1995/96. No proper explanation has been given by management as to why the vehicles were sold on credit contrary to the corporation's cash terms of sale. Also outstanding was Kshs.3,961,309 mentioned in my previous year's report where it was described as "borrowing from Water consumers-Deposit Account."

The Committee heard the evidence given by the Chief Executive that included in other debtors figure of Kshs.26,092,465 are amounts of Kshs.942,383 and Kshs.6,075,778 debited to a suspense account and sundry debtors respectively and that it also included an amount of Kshs.1,908,000 in respect of sale of motor vehicles and Kshs.3,961,309 in respect of amounts borrowed from consumer deposit.

The Committee was informed that the suspense account of Kshs.942,383 caused by debits in the Bank Statement was subsequently carried out and cleared, while the owed Kshs.1,908,000 in respect of disposal of uneconomical vehicles has been recovered in full.

The Committee was further informed that an amount of Kshs.3,961,309 borrowed form the Water Consumers-Deposit Account to clear electricity bills has since been paid up.

The Committee reiterates its earlier recommendations under paragraph 4 of the 1996/97 Accounts that the Chief Executive should ensure that in future the Corporation's vehicles are sold on cash terms without any exception.

4. ACCRUED EXPENSES

As pointed out in my previous report, the corporation was unable to remit statutory and other deductions to the respective organizations. Such deductions totalling kshs.12,055,924 (1996/97-Kshs.24,836,212) were outstanding as at 30th June, 1998. Although efforts have been made to reduce the accruals, the Corporation was once again in breach of the statutory obligation and could suffer penalties for failure to remit deductions.

The Committee heard the evidence given by the Chief Executive that statutory and other deductions amounting to Kshs.12,055,924 which the Corporation was unable to remit in the year under review have since been settled.

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

5. LAND OWNERSHIP

Included in the fixed assets figure of Kshs.8,474,541,193 is an amount of Kshs.106,488,671 relating to land shown in the valuation reports as having been acquired from the parent ministry. On the land, the corporation has built offices, staff houses, treatment works, tank sites and wayleave, but the Corporation does not have title documents to these pieces of land which are either owned by the Government, Local Authorities or individuals. Although the Corporation is making efforts to acquire title documents for these assets, the ownership of such land has not been confirmed.

The Committee heard the evidence given by the Chief Executive that the Corporation has obtained title deeds for eight (8) of its parcels of land which include the land on which the Corporation's Headquarters is situated, Siaya Treatment Works and Kiserian Borehole.

The Committee further heard that title registration for 23 plots which have been surveyed and letters of allotment issued is in progress.

The Committee recommends that the Chief Executive should ensure that all land owned by the Corporation is registered in the Corporation's name by 30th June, 2003.

6. NAKURU SEWERAGE REHABILITATION

The Balance Sheet figure of Work-In-Progress includes Kshs.152,811,610 being the cost of Nakuru Sewerage Rehabilitation project within the Nakuru Municipality. The project which was completed in September 1994 was financed from OECF water supply loan and counter-part funds from the Corporation. The Project is owned by the Nakuru Municipality and it is not clear why the Corporation still shows it as Work-In-Progress.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet figure of Work-In-Progress includes Kshs.152,811,610 being the cost of Nakuru Sewerage Rehabilitation Project that was financed from residual funds from the Greater Nakuru East Water Project Supply Loan from the OECF and Counter-Funds from the Government.

The Committee noted that the Project has since been transferred to the Director of Water Development, who became Water Undertaker vide Legal Notice No.884 of 9th February, 2001 and that the Corporation is in the process of formalising the transfer of the assets to the Director of Water Development.

The Committee recommends that the project be removed from the accounts of the Corporation and be transferred to the Director of Water Development.

7. INTEREST ON IDA LOANS

As shown in Note 10 to the accounts, the Corporation has not paid interest at 16.5 p.a. on IDA loan, amounting to Kshs.296,932,938 (1996/97 - Kshs.202,487,478) accrued in the books since the financial year 1992/93. This figure does not include any penalty accruing from delayed payments. Explanation given for this non-payment that the Government has not provided the Corporation with interest repayment schedule is not considered satisfactory.

The Committee heard the evidence given by the Chief Executive and was informed that the Corporation has not paid interest and principle due on IDA loan that was used on the design of the Second Mombasa and Coastal Water Supply Engineering and Rehabilitation Project amounting to Kshs.879,836,820.96 at 30th June, 1998.

The Committee reiterates its earlier recommendation under paragraph 9 of the 1996/97 Accounts in the Ninth Report that:-

(i) **Chief Executive should ensure that the Corporation starts repaying the interest on IDA loan without further delay; and that**

(ii) **the Treasury and the parent Ministry should provide the Corporation with the repayment schedule.**

AGRICULTURAL DEVELOPMENT CORPORATION

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

1. LATE SUBMISSION OF ACCOUNTS

Under Section 31 of the Exchequer and Audit Act (Cap 412), the Accounts of the Corporation for the year ended 31 March, 1997 were required to have been submitted for audit on or before 31st July, 1997. The Accounts were, however, only submitted on 10 July, 1998 or about twelve months after the statutory due date. As far as it has been possible to ascertain, the Corporation did not seek and obtain approval to extend the date of submission of the Accounts as required by the Law.

The Committee heard the evidence given by the Chief Executive that the Corporation was unable to process its financial report for the year 1996/97 accounts due to computer systems problems experienced during the year under review.

The Committee was informed that the accounts were subsequently submitted in July 1998 for audit and certification.

The Committee noted that new computers have been acquired and back up measures taken to address delays, if any, in future.

The Committee recommends that any Chief Executive of the Corporation who, in future, causes delay in the submission of annual accounts and fails to seek parliamentary approval for the late submission should be dismissed from the public service.

2. GOING CONCERN

The Consolidated Balance Sheet of the Corporation as at 31st March, 1997 reflects negative working capital of Kshs.128,311,000 as well as bank overdraft Kshs.103,888,000 which had cost the Corporation Kshs.36,714,000 in overdraft charges. The Accounts also reflect creditors totalling Kshs.524,976,000 which the Corporation was apparently unable to service when due. In addition cumulative operating losses increased from Kshs.214,004,000 as at 31st March, 1996 to Kshs.441,979,000 as at 31st March, 1997. Evidently, therefore, the Corporation was technically insolvent and its continued operations as a going

concern is dependent on the support from its creditors, bankers and Government.

The Committee heard the evidence given by the Chief Executive that the Corporation's Balance Sheet reflected a negative working overdraft of Kshs.128,311,000 as well as a bank overdraft Kshs.103,888,000 which had incurred an amount of Kshs.36,714,000 in overdraft charges in the year under review.

The Committee was informed that:-

(i) **The Accounts reflected creditors totalling Kshs.524,976,000 which the Corporation was unable to service while the cumulative operating losses increased to Kshs.441,979,000.**

(ii) **The creditors and debtors position have since improved and the Corporation is moving steadily towards profit generation.**

The Committee reiterates its earlier recommendations under paragraph 1 of the 1996 Accounts that:-

(i) **The Chief Executive should liaise with the parent Ministry with a view to restructuring the Balance Sheet of the Corporation.**

(ii) **The Chief Executive should explore other avenues of generating income.**

3. DEBTORS

The Debtors figure of Kshs.268,945,000 includes payments totalling Kshs.4,597,663 made to a South African Company to supply a 6 point Tandem Milkrift milking machine at the Kiswani Farm.

Although the terms of the contract as reflected on the Proforma Invoice number 2407A of September 1996 indicate that the plant was to be delivered within a period of thirty days after confirmation of receipt of payment, there was no evidence that the plant was ever delivered and received by the Corporation despite payment for the equipment having been made on 10 June 1996. It is not understood therefore, why the Corporation paid for the plant in advance of delivery. The Corporation has not also indicated how the supplier of the machine was identified in the absence of any evidence of competitive tendering before procurement. Of more serious concern is the fact that this costly investment was being made when the Kiswani Farm is reportedly due for disposal. The timing of the procurement of the milking machine, therefore, appear rather odd. The Corporation has also not explained how the prepayment of Kshs.4,597,663 would be recovered as the delivery of the equipment is apparently not presently being pursued by the Corporation.

The Committee heard the evidence given by the Chief Executive that included in the debtors figure of Kshs.268,945,000 is an amount of Kshs.4,597,663 made to M/s J.L. NeL Import and Export Company of South Africa to supply a 6 point Tandem Milkrift milking machine at the Kiswani Farm.

The Committee was informed that:-

(i) **The supplier was identified through single sourcing by the then Managing Director Dr. Walter Kilele (deceased), and that payment for the plant was done in advance of delivery.**

(ii) **The plant was eventually delivered and is in the process of being installed in Namandala farm since Kiswani had been allocated to third parties by the time the plant was delivered.**

The Committee was concerned that the Corporation flouted procurement procedures in the acquisition of the plant.

The Committee recommends that the Chief Executive should ensure that proper procurement procedures are followed in the procurement of goods and services without exception.

The Committee further recommends that the Chief Executive should promptly install the machine and put it to good use.

4. FIXED ASSETS

The Fixed Assets balance of Kshs.285,680,000 as at 31st March, 1997 includes the value of non movable assets such as buildings, farm inputs, water supply systems etc. valued at Kshs.7,675,927 at Zea Complex and Kshs.1,728,368 at Milimani Farms. Although the two farms were subdivided and allocated to outsiders, the Corporation has not indicated how the above assets were disposed off, following the disposal of the farms.

The Committee heard the evidence given by the Chief Executive that the Valuation of assets in the Zea Complex will be loaded to the allottees at the time of recognition of SFT debt and that the Milimani figures relate to temporary labour structures which could not be compensated.

The Committee recommends that the Chief Executive should ensure that the Corporation gets value for its non-moveable assets valued at Kshs.7,675,927 at Zea Complex.

5. ADVANCES TO GARISSA PROJECT KSHS.20,342,000

As indicated in previous year the financing of the Garissa Farm Project by ADC using funds borrowed commercially did not appear to be prudent. During the year under review, the Government did not extend any grants to the project and as a result the Project operations were affected quite adversely. The Corporation is yet to justify the viability of this project.

The Committee heard the evidence given by the Chief Executive that the condition of the Garissa Irrigation Project has continued to deteriorate due to non-provision of subsidy and that the corporation has been forced to use commercially borrowed funds to finance the project.

The Committee was informed that:-

(i) **The project was handed over to the Ministry of Agriculture who identified KARI to be the right organisation to run it.**

(ii) **The project has never been taken over by KARI and continues to deteriorate and incur unnecessary expenditure.**

(iii) **The Corporation carries out minimal operations and has significantly scaled down its running costs.**

(iv) **The amount to be refunded to ADC by the Ministry of Agriculture for expenses incurred upto June, 1999 stands at Kshs.26,498,288.**

The Committee was concerned that the Corporation was financing the project using commercially borrowed funds at the time when it is experiencing cash flow problems.

The Committee recommends that the Chief Executive should liaise with the parent Ministry and the Treasury with a view to making a final decision on the future of the project including its operations by 31st December, 2002.

The Committee further recommends that the Corporation must never fund projects from commercially borrowed funds.

6. LOAN REPAYMENTS

In 1990, the Corporation borrowed Kshs.75,000,000 from Kenya Commercial Finance Company to purchase cattle for the Galana Ranch. Records show that the loan has not been serviced as per the original loan agreement while the amount outstanding as at 31st March, 1997 had risen to Kshs.84,231,000. Apart from apparent difficulties faced by the Corporation in servicing the above loan, the Corporation's overdraft with its bankers increased form Kshs.75,000,000 in 1996 to Kshs.103,888,000 in March, 1997 which is a further indication that the Corporation is technically insolvent.

The Committee heard the evidence given by the Chief Executive and was informed that the loan borrowed from Kenya Commercial Finance Company which had risen to Kshs.84,231,000 by 31 March, 1997 has since been fully settled and reflected in 2001/2002 Financial Year.

The Committee was further informed that the Corporation's Overdraft has since been reduced to about Kshs. 62 million.

The Committee recommends that the Chief Executive should ensure that the overdraft figure of Kshs.62 million is settled.

The Committee further recommends that the Corporation should not exceed the authorised overdraft limit.

AGRICULTURAL DEVELOPMENT CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE AGRICULTURAL DEVELOPMENT CORPORATION (LANDS LIMITED) FOR THE YEAR ENDED 30TH JUNE, 1997.

1. OPERATING RESULTS

During the year 1996/97, the Company incurred a net loss of Kshs.1,744,000 compared to a profit of Kshs.13,431,000 realised as at 31st March, 1996 while negative working capital increased from Kshs.70,661,000 in 1995/96 to Kshs.81,125,000 in 1996/97. The Company's Accounts also show that the bank overdraft increased from Kshs.665,000 in 1996 to Kshs.2,146,000 as at 31st March, 1997. The Company, therefore, appears technically insolvent.

The Committee heard the evidence given by the Chief Executive that Lands Limited incurred a net loss of Kshs.1,744,000 compared to a profit of Kshs.13,431,000 in the previous year while negative working capital increased to Kshs.87,125,000.

The Committee further heard that the financial status of the Company has since improved and that a profit of Kshs.36,481,000 was made in the 1998/99 Financial Year.

The Committee noted that the profit arose out of sale of land belonging to Agricultural Development Corporation.

The Committee recommends that the Chief Executive should explore other avenues of generating income including the possibility of operating commercially.

2. DEBTORS

The Company's debtors of Kshs.25,029,000 as at 31st March, 1997 include debtors totalling Kshs.2,174,184 outstanding against employees who are no longer in its service made up of car loans of Kshs.1,022,658 and house loans of Kshs.1,151,526. No satisfactory explanation has, however, been provided as to how the Company intends to recover these long outstanding debts given that the log books for the vehicles for which the car loans were issued and the title deeds for the houses financed from the house loans are no longer held by the Corporation. The management has only indicated that the matter is in court.

The Committee heard the evidence given by the Chief Executive that cases involving house and car loans to employees who have left the Corporation have been filed in court for recovery.

The Committee was informed that log books and securities for the houses are held by the Corporation and that a court order in favour of the Corporation has been obtained against one of the house loan debtor Mrs. Esther Ekwiri.

The Committee reiterates its earlier recommendations under paragraph 1 of the 1996/97 Accounts that:-

(i) **The Chief Executive should step up recovery measures against defaulters including causing them to be surcharged.**

(ii) **The Chief Executive should ensure that staff loans are adequately secured.**

3. TRANSFER OF ADC FARMS TO SETTLEMENT FUND TRUSTEES.

During the year under review Lands Limited transferred land to SFT which had a total value of Kshs.395,154,500 (Kshs.6,500 per acre). Although the Office of the President in June 1997 requested the Ministry of Finance to compensate the ADC for the loss of these farms at the above value of Kshs.395,154,400 as far as it has been possible to ascertain, no compensation has to-date been received. In addition the value of the land transferred to third parties is still reflected in the Accounts of the Company as at 31st March, 1997.

The Committee heard the evidence given by the Chief Executive and was informed that the Corporation has received Kshs.393,954,400 being compensation for 8 farms transferred to the Settlement Fund Trustees (SFT) for allocation to the landless and that the balance of 2.2 million is awaiting final reconciliation between the Corporation and SFT.

The Committee was informed that the following farms were transferred to SFT to allegedly settle the landless:-

(1) **Nyota**
(2) **Sirikwa**
(3) **Tall Trees**
(4) **Ol Jorrai**
(5) **Moi Ndabi**
(6) **Jabali**
(7) **Chepchoina**
(8) **Zea**

The Committee made the following observations:-

(i) The said farms were allocated by the management of ADC to third parties* in total disregard of the provisions of its enabling Act.

(ii) Some farms were directly allocated to individuals by the ADC without being surrendered to the Settlement Fund Trustees which is charged with the responsibility of settling the landless people.

(iii) Some ADC farms were allocated to well-to-do people in the society while the deserving landless were left out and that no criteria was used to identify the allottees.

(iv) Even in cases where the said irregular allocations were made and titles issued the well-to-do, allottees have yet to pay the outstanding amounts.

The Committee recommends that:-

(i) all parcels of land allocated irregularly in contravention of the provision of ADC's the enabling Act be revoked and reverted to the Corporation;

(ii) allocation of the eight farms be investigated with a view to establishing whether there was abuse of office by the concerned officers;

(iii) the Chief Executive should ensure where there is need for allocation and/or disposal of land, the parcels should be surrendered to the Settlement Fund Trustees for allocation in accordance with the law; and

(iv) the Chief Executive should obtain title deeds for all parcels of land belonging to the Corporation.

** List of third parties allocated ADC farms has been printed separately, as Annex D(1) Volume II of the Report.*

KENYA MEDICAL RESEARCH INSTITUTE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA MEDICAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE, 1999.

1. KEMRI PLOT OF LAND

The Institute's fixed assets Balance Sheet figure of Kshs.1,066,776,556 as at 30th June, 1999 excludes an undetermined value of five (5) plots of land, two of which are located in Nairobi and the other three at the Coast, measuring a total of 19,898 ha. but which have not been valued. The Institute has also not obtained title deeds in respect of four (4) of the five plots and only holds a title of ownership for one plot. Due to the exclusion of the value of these parcels of land from these Accounts and in the absence of title documents for the four of the plots, it not possible to confirm the correctness of the Institutes' fixed assets as reflected on the Balance Sheet as at 30th June, 1999 or even to confirm the ownership by the Institute or the security of the plots.

The Committee heard the evidence given by the Chief Executive that title deeds have been issued for plots within Kenyatta National Hospital measuring 1.343 ha, valuation done and incorporated in the Accounts for financial year 1999/2000.

The Committee further heard that letters of allotment have been received for four plots in Kwale, Kilifi, Taveta and Langata Road and that survey has been undertaken on three plots.

The Committee noted that the Institute is liaising with the Commissioner of Lands for the purpose of processing the title deeds for the plots whose letters of allotment have been issued.

The Committee recommends that the Chief Executive should obtain title deeds for the Institute's plots in Langata Road, Kwale, Kilifi and Taveta by 31st March, 2003.

2. PURCHASE OF RECONDITIONED VEHICLE - KAL 935E

During the year 1998/99, the Institute spent Kshs.1,150,000 out of funds donated by Ms Royal Tropical Institute of Netherlands to purchase a seven year old reconditioned Subaru Legacy, Station Wagon, registration No. KAL 935E. Although the proposal by the donor was to purchase a small pick-up for its Respiratory Disease Department, the Institute has explained that approval of the

donor was obtained for the procurement of the reconditioned vehicle. However, no record of any such agreement has been seen.

The Committee heard that the evidence given by the Chief Executive that the Institute spent Kshs.1,150,000 donated by M/s Royal Tropical Institute of Netherlands to purchase a seven year old reconditioned Subaru Legacy Station Wagon Reg. No. KAL 935E instead of a small pick-up as agreed with the donor.

The Committee was informed that the vehicle was single sourced and under insured, and that when the vehicle crashed the insurance paid Kshs.591,000 only.

The Committee recommends that, in future, the Chief Executive should ensure that laid down procurement procedures are adhered to and that all vehicles belonging to the Institute are insured comprehensively.

NZOIA SUGAR COMPANY LIMITED

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

1. FINANCIAL POSITION

The financial position of the Company continued to deteriorate resulting in a loss of Kshs.866,920,152 during the year under review (Kshs.817,644,445 - 1994) and bringing the accumulated losses to Kshs.3,901,840,010 (1994 - Kshs.3,071,962,516) as at 30th June, 1995. The major cause of the huge loss during the year appears to be poor financial management as a result of which, as at the Balance Sheet date, the cost of producing one tonne of sugar and ex-factory price of the same were Kshs.53,205 and Kshs.34,000 respectively. The Balance Sheet as at the time also reflects a negative working capital of Kshs.4,164,784,103. The Company was unable to service loans on maturity or to pay off other creditors. Such loans stood at Kshs,1,953,192,005 plus interest of Kshs.1,159,033,410 as at the Balance Sheet date.

The Bank overdraft stood at Kshs.754,828,077 as at 30th June, 1995 against the authorised limit of Kshs.166,500,000 and attracted interest totalling to Kshs.211,864,054 during the year under review. The Company's accounts for the year have therefore, been prepared on a going concern basis on the assumption that the Company will continue to obtain necessary support from the Government, lenders and creditors.

The Company attributes this poor financial position to poor factory performance, heavy interest charges on rehabilitation and expansion loans for phase1, high interest on dormant bank overdrafts and poor financial management.

The Committee heard the evidence given by the Chief Executive that the Financial Position of the Company continued to deteriorate in the year under review resulting in a loss of Kshs.866,920,152 and that this state of affairs was caused by:-

(i) Poor factory performance and non-achievement of the rated capacity.

(ii) Heavy operating overheads and excessive production costs which could not be covered by the capacity achieved.

(iii) Heavy interest charges incurred mainly on Rehabilitation and Expansion Loans for phase I coupled with high interest charged on a dormant overdraft of Kshs.754,828,077.

The Committee was informed that the Balance Sheet reflected a negative working capital of Kshs.4,164,784,103 and the company was unable to service loans on maturity or to pay off other creditors.

The Committee was concerned that the Government has been reluctant in taking action to restructure the Balance Sheet of the Company.

The Committee recommends that the Government should facilitate the restructuring of the Balance Sheet of Nzoia Sugar Company.

2.0 PHASE II EXPANSION

2.1 Work in Progress

As indicated in my report on the accounts for the previous year, the phase II expansion project contract was awarded by the Company in unsatisfactory manner to a foreign firm in that no competitive tenders were invited. The project, the value of which in these accounts is stated as Kshs.2,810,497,477 was abandoned in 1993 due to serious disagreement between the Company and the contractor attributable mainly to the Company's inability to pay. An amount of US$5 million, being the sum agreed out of court was subsequently paid to the contractor but work on the project has not so far resumed. Unless and until a permanent solution is found to work on phase II factory expansion project resumed and completed to the satisfaction of all parties, the expenditure of Kshs.2,810,497,477 already incurred on the project could turn out to be wasted public funds.

I have been informed that the Government is looking into ways of completing this project with a view to improving the crushing capacity of the factory from 3000 tonnes of cane per day to 7000 tonnes of cane per day.

2.2 Overpayment to the Contractor.

Nzoia Sugar Company jointly with the contractor mentioned above operated a bank account in a local bank to meet some local payments to the contractor. A reconciliation of the account later revealed that Nzoia Sugar Company paid into the account a total o Kshs.143,521,111 against certified progress invoices totalling Kshs.119,771,222 resulting into and overpayment of Kshs.23,749,889 which the contractor later acknowledged.

However, an out of court settlement agreement signed between the Company and the contractor specified inter-alia that the contractor should pay Nzoia Sugar Company Limited an amount of Kshs.16.7 million which was an overpayment on local costs. The contractor has, however, not honoured this agreement.

2.3 Agricultural Machinery - Vanguards.

As highlighted in my previous years' reports, Nzoia Sugar Company received a total of 36 vanguard tractors and other machines for phase II project in 1991. Some of the machines had already been grounded as at June 1995 due to lack of spare parts. It is not clear why the Company accepted the rare machines without back-up spare parts even after experiencing a similar problem with a fleet of vanguard tractors-received under phase I project. In the absence of the spare parts, the machines may not be of much use to the Company.

The Committee heard the evidence given by the Chief Executive that phase II expansion contract was awarded to M/s Arkel International without inviting open tenders.

The Committee was informed that:-

(i) **The project was abandoned in 1993 following a serious disagreement between the company and the contractor, and that an amount of USD5 million was subsequently paid to the contractor after an arbitration.**

(ii) **A reconciliation of the account revealed an overpayment of Kshs.23,749,889 which the contractor has acknowledged though no refund has been made.**

(iii) **A technical evaluation has been conducted on the stalled equipment and that a total estimated cost of Kshs.2.7 billion is required to complete it.**

The Committee was concerned that the financial restructuring of the company has taken too long to be acted upon.

The Committee was further concerned that the Company has not made serious efforts to secure the overpayment to Arkel International.

The Committee recommends that the Chief Executive should use all means possible including legal redress to recover the overpayment of Kshs.23,749,889 from Arkel International.

The Committee further recommends that phase II factory expansion project be resumed and completed.

3.0 PROCUREMENT OF GOODS AND SERVICES AND DISPOSAL OF ASSETS.

3.1 During the year under audit, the Company purchased goods worth Kshs.31,595,175 for out of crop factory maintenance and also incurred an expenditure of Kshs.6,159,501 on repairs of its equipment without

following the normal competitive bidding system. Further, it is not clear why the Company incurred the expenditure of Kshs.6,159,501 when it has the capability within the factory to carry out such repairs.

3.2 During the year ended the Company disposed off 15 Agrip Trailers against 8 recommended by the Assets Disposal Committee at the reserve price of Kshs.30,000 each without following the normal disposal procedures. The trailers, internally valued at Kshs.150,000 each, were sold to a contractor without the Board's authority and knowledge thereby leading to an avoidable loss of revenue to the Company of Kshs.1,800,000. Apparently, the Company has not received this amount from the officers responsible for the loss.

The Committee heard the evidence given by the Chief Executive that the Company incurred an expenditure of Kshs.6,159,501 on repairs of its equipment without following the normal competitive bidding system and that 15 Agrip Trailers were disposed off at the reserved price of Kshs.30,000 each without normal disposal procedures leading to a loss of Kshs.1,800,000.

The Committee was informed that:-

(i) **When the Board became aware of this irregularity prompt disciplinary action including dismissal and prosecuting was taken against three officers, namely Francis Wabuke, Bernard Masake and Francis Makate.**

(ii) **The three culprits were later acquitted by a court sitting in Kakamega due to insufficient evidence.**

The Committee recommends that in future, the Chief Executive should ensure that regulations governing the procurement of Goods and Services are adhered to without exception.

4. SERVICE TO OUTGROWERS

During the year ended 30th June, 1995, the company supplied to farmers seed cane amounting to Kshs.85,298,781 and against which Kshs.63,008,586 of the same was supported with debit notes. There is material discrepancy of Kshs.32,290,195 worth of seed cane. The company has attributed the discrepancy to unposted debit notes from the fields. In the absence of supporting documents for seed cane worth Kshs.22,290,195, I am unable to confirm the authenticity of supply of the cane for this amount to the farmers.

The Committee heard the evidence given by the Chief Executive that there was a material discrepancy of Kshs.32,290,195 worth of seed cane supplied to farmers which was attributed to unposted debit notes from the fields.

The Committee was informed that, in order to address the discrepancy, strict internal controls have been put in place to ensure that seeds supplied and received are recorded.

The Committee recommends that the Chief Executive should put in place strict internal controls to ensure that seeds supplied and received are recorded.

5. **FUEL STOCKS.**

A comparison of physical fuel stock with stock records as at 30th June, 1995 revealed unexplained discrepancies/losses on super, regular, and diesel brands of fuel worth Kshs.1,019,744.

The discrepancies, especially on the diesel, would appear to have been caused by delivaried from a fuel supplier where the Nzoia Sugar Company staff signed invoices and further raised goods received noted (GRNS) for which fuel was apparently not delivered. This is evidenced in diesel invoices No.01085064 GRN No.78464 dated 27th October, 1994 for 10,000 litres and invoice No.01084240 GRN No.68092 dated 23 dated 23 August 1994 also for 10,000 litres. This is no evidence that the Company has recovered this loss from employees concerned. This loss/discrepancy would appear to have resulted from inadequacy in the company's internal control systems governing receipt, storage and issue of goods.

The Committee heard the evidence given by the Chief Executive that a comparison of physical fuel stock with the stock records as at 30th June, 1995 revealed unexplained discrepancies on super, regular and diesel brands which could have resulted from leaking fuel tanks due to old age.

The Committee recommends that the Chief Executive should ensure that strict internal control systems are put in place to stem pilferage of fuel stocks.

6. **MOLASSES STOCK AND SALE**

(6.1) A reconciliation of molasses production against sales records reflected unexplained discrepancy in molasses stocks of 1853 tonnes worth Kshs.2,038,300 between 1st July, 1994 and 30th April, 1995. No satisfactory explanation has been given for this large discrepancy and I have therefore, not been able to ascertain what it represents.

(6.2) During the year under audit, the Company lost Kshs.1,884,873 in revenue due to sale of 8766.85 tonnes of molasses to local molasses dealers at Kshs.885 per tonne instead of the recommended price of

Kshs.1,000 per tonne. No satisfactory explanation has been given for the variation of price which resulted into the loss of this revenue.

The Committee heard the evidence given by the Chief Executive that a reconciliation of molasses production against sales records reflected discrepancy in molasses stocks of 1853 tonnes worth Kshs.2,038,300 which arose due to estimation of molasses stocks.

The Committee further heard that the variation in prices resulted from market forces which forced the Company to vary the prices from the recommended price of Kshs.1000 per tonne.

The Committee was informed that a molasses scale has been acquired and a Committee formed to be reviewing the molasses prices depending on the market forces.

The Committee recommends that the Chief Executive should ensure that a committee involving heads of relevant departments is formed to be reviewing molasses prices from time to time.

NZOIA SUGAR COMPANY LIMITED

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NZOIA SUGAR COMPANY LIMITED FOR THE YEAR ENDED 30TH JUNE, 1996

1. GOING CONCERN

The Companies financial position deteriorated further in the year under review making a loss of Kshs.1,030,214,406 (1994/95 loss of Kshs.866,920,152) thereby bringing the cumulative losses to Kshs.4,950,997,887 as at 30th June, 1996. The Working capital reflected a negative balance of Kshs.6,117,644,699 (1994/95 a negative of Kshs.4,164,784,103). The company was unable to service its long term loans and accrued interest of Kshs.3,284,420,288 and Kshs.1,753,924,142 respectively. Further, it could not pay farmers' outstanding amounts which stood at Kshs.401,496,754 as at 30th June, 1996. The accounts for the year have been prepared on a going concern basis on the assumption that the Company will continue to get the necessary support from the Government, lenders and creditors. The Company attributes its precarious financial position to heavy accrued interest on the loan for phase I factory expansion. However, it has not indicated how it intends to resolve the problem.

The Committee heard the evidence given by the Chief Executive that the Financial Position of the Company continued to deteriorate in the year under review resulting in a loss of Kshs.1,030,214,406 and that this state of affairs was caused by:-

(i) **Poor factory performance and non-achievement of the rated capacity.**

(ii) **Heavy operating overheads and excessive production costs which could not be covered by the capacity achieved.**

(iii) **Heavy interest charges incurred mainly on Rehabilitation and Expansion Loans for phase I coupled with high interest charged on a dormant overdraft of Kshs.754,828,077.**

The Committee was informed that the Balance Sheet reflected a negative working capital of Kshs.6,117,644,699 and the company was unable to service loans on maturity or to pay off other creditors.

The Committee was concerned that the Government has been reluctant in taking action to restructure the Balance Sheet of the Company.

The Committee recommends that the Government should facilitate the restructuring of the Balance Sheet of Nzoia Sugar Company.

2. PHASE II EXPANSION

2.1 WORK IN PROGRESS

As indicated in my report on the accounts for the previous years, the phase II expansion project contract was awarded by the Company in unsatisfactory manner to a foreign firm in that no competitive tenders were invited. The project whose value is put at Kshs.3,109,225,188 in these accounts, was abandoned in 1993 due to serious disagreement between the Company and the contractor because of non-payment of amounts due.

Although during 1994/95 I was informed that the Government was looking into ways of completing the project, its status had not changed as at 30th June, 1996.

2.2 OVERPAYMENT OT THE CONTRACTOR.

As highlighted in my previous year's reports, Nzoia Sugar Company jointly with the contractor operated an account in a local bank to meet some local payments to the contractor. A reconciliation of the account later revealed that Nzoia Sugar Company paid into the account a total of Kshs.143,521,111 against certified progress invoices totalling Kshs.119,771,222 resulting into an overpayment of Kshs.23,749,889 which the contractor later acknowledged.

However, an out of court settlement agreement signed between the Company and the contractor specified, inter-alia, that the contractor should pay Nzoia Sugar Company Limited an amount of Kshs.16.7 million which was an overpayment on local costs. The contractor has, however, not honoured this agreement. Further, no serious efforts appear to have been made by the Company to secure the amount.

The Committee heard the evidence given by the Chief Executive that phase II expansion contract was awarded to M/s Arkel International without inviting open tenders.

The Committee was informed that:-

(i) **The project was abandoned in 1993 following a serious disagreement between the company and the contractor, and that an amount of USD5 million was subsequently paid to the contractor after an arbitration.**

(ii) **A reconciliation of the account revealed an overpayment of Kshs.23,749,889 which the contractor has acknowledged though no refund has been made.**

(iii) **A technical evaluation has been conducted on the stalled equipment and that a total estimated cost of Kshs.2.7 billion is required to complete it.**

The Committee was concerned that the financial restructuring of the company has taken too long to be acted upon.

The Committee was further concerned that the Company has not made serious efforts to secure the overpayment to Arkel International.

The Committee recommends that the Chief Executive should use all means possible including legal redress to secure the overpayment of Kshs.23,749,889 from Arkel International.

The Committee further recommends that phase II factory expansion project be resumed and completed.

3. BANK OVERDRAFT

The Company's bank overdraft facility as at 30th June, 1996 stood at Kshs.775,431,402 (1994/95 Kshs.754,828,077) against an authorised limit of Kshs.150,000,000. The facility was operated with National Bank of Kenya up to 6th March, 1993 when the overdraft was at Kshs.201,034,894 whereupon the banking facilities were discontinued and transferred to another commercial bank. Post balance sheet events indicate that as at 31st July, 1998 the overdraft had reached Kshs.1,338,992,915 mainly due to interest and other charges. No explanation has been given as to why the management was unable to control the escalation of the overdraft and who was responsible for such omission.

The Committee heard the evidence given by the Chief Executive that the Company exceeded the bank overdraft facility against an authorised limit of Kshs.150,000,000 due to severe financial constraints.

The Committee was informed that the amount borrowed in 1993 was Kshs.214 million and that it subsequently grew to Kshs.1.3 billion by November 1998 mainly due to interest and other charges.

The Committee was further informed that the Government paid the amount outstanding in June 1998 and that the National Bank of Kenya is demanding interest accrued amounting to Kshs. 125 million.

The Committee was concerned that the National Bank of Kenya has calculated interest of the Account on unexplained circumstances.

The Committee abhorred the manner in which the overdraft limit was exceeded without the requisite authority and uncontrolled escalation of the overdraft.

The Committee recommends that the Chief Executive should liaise with the Parent Ministry and the Treasury with a view to settling the issue of acrued interest totalling Kshs.125 million.

The Committee further recommends that the then management be censured for the escalation of the overdraft.

4. BUDGETARY CONTROL

It was noted that some of the expenditure for the year ending 30th June, 1996 materially exceeded the approved budgeted provisions for the year. No satisfactory explanations were given for the excesses. Notable examples included the following:-

Expenses Item	1995/96 Actual (Kshs.)	1995/96 Budget (Kshs)	Adverse Variance (Kshs.)
Directors	3,360,992	152,347	3,208,645
Consultancy fees	9,601,531	-	9,601,531
Legal fees	23,304,916	1,564,000	21,740,916

No evidence has been produced to indicate that the expenditure was approved by the Board, the Parent Ministry and Treasury. In the absence of approvals the expenditure has been incurred contrary to Section 12 of the State Corporations Act, (Cap 466). The Company is, therefore, in breach of its statutory obligations.

The Committee heard the evidence given by the Chief Executive that the Company exceeded the approved budgeted provisions in the year under review due to the following reason:-

(i) **A small amount of money had been budgeted under the Director's fees but heavy expenditure had to be incurred when the Nairobi office was closed and all Board meetings held in Nzoia, Bungoma.**

(ii) **An amount of kshs.9,601,531.10 was paid as consultancy fees when it was clarified that Exim Bank would only fund factory expansion equipment and services.**

(iii) **The Company had to meet legal fees and decretal amounts which Kenya National Assurances Company Ltd., which had just collapsed, was unable to pay for judgements previously obtained against Nzoia.**

The Committee observed with concern that the company exceeded its approved budgetary provisions without seeking the approval from the Board, the Parent Ministry and Treasury.

The Committee recommends that the Chief Executive should in future ensure that prudent budgetary controls are observed.

5. DEBTORS AND PREPAYMENTS.

Included in the debtors and prepayments figure of Kshs.388,858,270 are debts totalling Kshs.169,161,963 which have remained outstanding for a considerable period of times as shown below:-

Name of Director	Amount (Kshs)	Outstanding Since
NOCO Current Account	112,235,134	1992
NOCO - KSA Loans	40,920,000	1993
Interest on outgrowers debtors	3,055,860	1993 and prior years
Road Grants	6,124,060	1985
Other debts	6 ,826,909	1993 and prior years.
Total	**169,161,963**	

It is not clear what action the Company is taking to realise the debts.

The Committee heard the evidence given by the Chief Executive that part of the debts amounting to Kshs.112,235,134 and Kshs.40,920,000 in respect of NOCO-Current Account and Noco-KSA loan respectively have been realised.

The Committee further heard that the Road grants of Kshs.6,124,060 which was to be reimbursed by the Ministry of Public Works has been written off while a debt collector has been appointed to recover other debts of Kshs.6,826,909.

The Committee recommends that the Chief Executive should speed up the collection of all outstanding debts.

6. STOCKS AND STORES

The Balance Sheet stock balance of Kshs.194,841,907 is a general ledger figure while the physical balance as per stock-taking as at 30th June, 1996 is Kshs.187,540,181 thereby occasioning a shortage of Kshs.7,301,726. No explanation has been give for the shortage. Consequently, I am unable to state what this represents.

The Committee heard the evidence given by the Chief Executive that there was a variance of Kshs.7.3 million between the balance sheet stock

balance of Kshs.194,800,000 and the stock-taking of Kshs.187,500,000 which arose due to irregular checking.

The Committee noted that the variance has since been reduced to less than one percent.

The Committee recommends that the Chief Executive ensure that regularly stocks reconciliation is carried out to avoid occurrence of stock discrepancies.

7. INSURANCE POLICY CERTIFICATES.

During the year ending 30th June, 1996, the Company took twenty two (22) insurance policies through an Insurance Broker at a premium of Kshs.5,961,891. However, no policies were made available for audit verification and it is not known which insurance firms are covering the Company's interest. On workmen s compensation the Company was unable to produce evidence that it took policies worth Kshs.1,007,529 as explained by the management nor could it name the insurance firm. In the absence of proper explanation and supporting evidence for every insurance cover taken, I am unable to ascertain that the Company s properties were adequately insured.

The Committee heard the evidence given by the Chief Executive that policy documents in respect of 22 insurance policies made through an Insurance Broker at Kshs.5,961,891 and records of Workmen's Compensation policies worth Kshs.1,007,529 are available for inspection.

The Committee recommends that the Chief Executive should ensure that supporting documents are availed for audit verification as and when required in accordance with the law.

8. FIXED ASSETS

The Company did not maintain an up-dated Fixed Assets Register as a result of which the following assets acquired during the year were not entered in the Register.

Assets	Value (Kshs.)
Tata Lorry	2,668,125
Water Pump	779,910
Juice tank	228,775
House Furniture	1,208,690
Office Equipment	302,000
	5,187,500

The Committee heard the evidence given by the Chief Executive that the assets that had been acquired in the year under review and had not been entered in the Register, have since been entered in the Register.

The Committee recommends that the Chief Executive should ensure that the Fixed Assets Register is regularly updated.

NYAYO TEA ZONES DEVELOPMENT CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NYAYO TEA ZONES DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30TH JUNE, 1995

1. FINANCIAL PERFORMANCE

During the year under review the Corporation incurred a deficit of Kshs.2,093,638 compared to surplus of Kshs.22,426,187 in 1993/94. Although income increased by Kshs.2,915,691 during the year, expenditure increased by Kshs.27,162,816. In particular it was noted that the budgetary allocation was exceeded in the cases shown below:

Item	Kshs. Budget	Kshs. Actual	Kshs. Over expenditure
Farm inputs	3,000,000	5,701,990	2,701,990
K.T.D.A. Management and Consultancy fees	600,000	3,000,053	2,400,054
	350,000	3,511,723	3,161,723

I have not seen the parent Ministry and Treasury authority approving the above over expenditure as required by section 12 of the State Corporations Act.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation incurred a deficit of Kshs.2,093,638 compared to a surplus of Kshs.22,426,187 and that the expenditure went up by Kshs.27,162,816.

The Committee was informed that the excess expenditure was incurred without the authority of the parent Ministry and Treasury as required by section 12 of the State Corporations Act.

The Committee deplored the Corporation's deliberate move to incur expenses without recourse to the parent Ministry and the Treasury.

The Committee recommends that the Chief Executive should, in future, ensure that prudent budgetary practices are observed without exception

2. ESTABLISHMENT COST - (KSHS.287,233,021)

As highlighted in my reports for the years 1992/93 and 1993/94, the establishment cost of Kshs.287,233,021 shown in the Balance Sheet as at 30th

June, 1995 does not, still, include the value of land on which the tea is established. Although the tea is established on Government land, I have no information as to the understanding between the Corporation and the Government over the land. In the circumstances, I am unable to express an opinion as to whether the balance of Kshs.287,233,021 Establishment cost in the Balance Sheet after amortization of Kshs.15,117,527 is a fair value of the tea farms established by the Corporation.

The Committee heard the evidence given by the Chief Executive that the Establishment cost of Kshs.287,233,021 did not include the value of land on which the tea bushes are established since the tea zones were to be treated as part of the forests without excision.

The Committee further heard that the value of land is not included in the establishment cost since the land where tea is planted still remains as part of Government gazetted forests and that the order establishing the Corporation is being amended to facilitate acquisition of Title deeds.

The Committee noted that the Corporation has done surveying and mapping of the tea areas with a view to obtaining title deeds.

The Committee recommends that the Chief Executive should move expeditiously to obtain title deeds for the land where tea is planted.

3. WORK IN PROGRESS

Included in the Fixed Assets figure of Kshs.14,412,735 is an amount of Kshs.3,771,141 referred to as "work in Progress (Buildings)". Information available indicates that the amount of Kshs.3,771,141 represents payments made to a contractor to erect 15 office blocks and 30 category "G" timber fabricated units at a contract sum of Kshs.8,283,800. Further, information available indicates that the contract was later terminated and that the amount included payment for materials not delivered by the contractor. The amount of Kshs.3,711,141 does not therefore represent tangible assets of the Corporation.

The Committee heard the evidence given by the Chief Executive that the Corporation's Fixed Assets figure of Kshs.14,412,735 includes Kshs.3,771,141 under Work-In-Progress which arose from a contract between the Corporation and M/s Muturi Construction Company which was terminated and a case filed in the High Court.

The Committee was informed that the Corporation is in the process of petitioning the High Court to wind up the Company on the grounds that it is unable to meet its debts.

The Committee was concerned that the management filed a court case against the contractor without establishing his capability of repaying the said amount.

The Committee recommends that the Chief Executive should pursue the recovery of the money using the most cost effective way.

The Committee further recommends that the then Executive Chairman of the Corporation Mr. Isaiah Cheluget should be investigated by anti-corruption agencies for possible abuse of office and corrupt practices in respect of award of the tender to M/s Muturi Construction Company.

4. UNSUPPORTED EXPENDITURE

In my report on the 1993/94 accounts, I made reference to Kshs.7,907,601 being part of Establishment cost of Kshs.80,695,112 which had not been accounted for. A review of the position in 1994/95 revealed that no action has been taken to recover the unaccounted for amount of Kshs.7,907,601 from the officers responsible for the expenditure at the material time as recommended by the Public Investments Committee in its 5th report.

The Committee heard the evidence given by the Chief Executive that expenditure amounting to Kshs.7,907,601 out of the unsupported establishment cost of Kshs.80,695,112 was still unaccounted for as at 30th June, 1995.

The Committee noted with concern the apparent laxity by both the Corporation and the office of the President in recovering the money form the concerned District Commissioners.

The Committee recommends that the Commissioner of Police should investigate the following former District Commissioners, Messrs. Joel Waupari, Anthony Oyier, Kehole Muhalule, John Anguka, John Sala, P.K. Muruatetu, Francis Tilitei, S.K. Limo and Paul Genga, with a view to prosecuting them to recover the outstanding amounts.

5. PURCHASE ADVANCES - KSHS.394,621

In my report of 1993/94, reference was made to an amount of Kshs.383,570 being advances to certain members of staff minor purchases for which supporting documents were not produced for audit verification. During the year under review a sum of Kshs.393,631 was included in the Balance Sheet "Debtors. Advances and Prepayments" figure of Kshs. 65,140,409 and for which schedules/supporting documents were not made available for audit verification. In circumstances I am unable to confirm whether the Debtors, Advances and Prepayments are fairly stated.

The Committee heard the evidence given by the Chief Executive that the "Debtors Advances and Prepayment" figure includes Kshs.394,621 advanced to certain members of staff for minor purchases for the Corporation but remained outstanding as at 30th June, 1994.

The Committee was informed that the purchase advances were part of the petty cash that was surrendered either as cash sale receipts or cash where purchases were not made.

The Committee was further informed that efforts have been made to recover the purchase advances as follows:-

As staff Creditors	-	123,185.00
Amount held by Isaiah Cheluget	-	12,702.00
Amount held by deceased employees	-	24,233.00 (written off)
Amount recovered in 1994/95	-	26,264.00
Amount recovered from seconded staff	-	53,687.00
Amount accounted for in 1995/96	-	151,172.00

The Committee made the following observations:-

(i) That despite the Public Investments Committee having made a recommendation in its Eighth and Ninth Reports that the then Executive Chairman of the Corporation Mr. Isaiah Cheluget should pay an amount of Kshs.12,702 and Parliament having resolved that the money be paid, he has defied the resolution of Parliament and refused to pay the said amount.

(ii) That Mr. Isaiah Cheluget, who has been an Electoral Commissioner, is able to pay Kshs.12,700.20 which has been outstanding for the last fourteen years.

(iii) That the Corporation has made numerous attempts to get the money from Mr. Cheluget in vain.

(iv) That Mr. Cheluget therefore, abused his office and privilege as the then Executive Chairman of the Nyayo Tea Zones Development Corporation.

The Committee reiterates its earlier recommendation under paragraph 4 of the 1992/93 accounts and paragraph 3 of 1993/94 of Eighth and Ninth Reports respectively that:-

(i) The Chief Executive should strictly adhere to the laid down financial regulations with regard to the issuance and surrender of imprests.

(ii) An amount of Kshs.12,700.20 should be recovered from the then Chief Executive Mr. Isaiah Cheluget.

The Committee further recommends that Mr. Isaiah Cheluget should be barred from holding any public office conferred by the Republic of Kenya.

6. OUTSTANDING CASUAL WAGES - KSHS.462,713

Included in the imprest and casual wages outstanding figure of Kshs.2,306,524 is an amount of Kshs.462,713 in respect of casual wages whose documents were not made available for audit verification. I am, therefore, unable to confirm whether the imprest and casual wages balances are fairly stated in the Balance Sheet.

The Committee heard the evidence given by the Chief Executive that included in the imprest and casual wages outstanding of Kshs.2,306,524 is an amount of Kshs.462,713 in respect of casual wages whose documents were availed for audit verification.

The Committee further heard that the supporting documents have since been availed and verified, thereby resolving the audit query.

7. CASH AND BANK BALANCE

Included in the Balance Sheet Cash and Bank Balances figure of Kshs.37,123,728 is a Savings Account amount of Kshs.35,220,209. The bank statement and the savings account cash book reflect a balance of Kshs.35,092,559 thereby giving rise to an unexplained difference of Kshs.127,650. In the circumstances I am unable to confirm the accuracy of the figure of Kshs.37,123,728 shown in the Balance Sheet.

The Committee heard the evidence given by the Chief Executive that included in the balance sheet cash and bank balances figure of Kshs.37,123,728 is a savings account of Kshs.35,220,209 and that the difference of Kshs.127,650 arose due to cheques issued by the zones but had not been received by the Head Office.

The Committee recommends that reconciliation in respect of the figure of Kshs.37,123,728 should be done and the result of the exercise submitted to the Controller Auditor-General for verification by 30th September, 2002.

KENYA AGRICULTURAL RESEARCH INSTITUTE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA AGRICULTURAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE, 1998.

1. FINANCIAL POSITION.

The Income and Expenditure Account for the year 1997/98 reflects excess expenditure over income of Kshs.84,742,000.00, compared to excess expenditure of Kshs.17,801,000.00 realized in the previous year, thereby bringing accumulated excess expenditure over income to Kshs.393,683,000.00 as at 30th June, 1998. The Institute's Balance Sheet for 1997/98 also reflects negative working capital of Kshs.99,700.00 (1996/97 - Kshs.38,515,000.00) while at the same time the Institute did not remit statutory deductions totalling Kshs.139,087,760.00 and staff pension fund contributions of Kshs.138,994,434.00 apparently due to liquidity problems. Failure to remit statutory deductions represents breach of statutory obligations for which the Institute is liable for heavy financial penalties. Evidently, therefore, the existence of the institute as a research organization will continue to depend on the support of Government, donors and its creditors.

The Committee heard the evidence given by the Chief Executive that the Institute's income and expenditure account reflected excess expenditure over income of Kshs.84,742,000 which was due to among others:-

(i) under provision of exchequer issues;
(ii) a provision for depreciation of Kshs.77,829,000.00 which is a non-cash item.

The Committee further heard that the institute's Balance Sheet as at 30th June, 1998 reflected a negative working capital of Kshs.99,700,000 while the statutory deductions totalling Kshs.139,087,760 and staff pension contributions of Kshs.138,994,434 were not remitted.

The Committee observed with concern that the Treasury continuously released less funds than provided for in the printed estimates and that the Institute has not adequately explored other avenues of generating income.

The Committee recommends that the Chief Executive should explore other avenues of funding the Institute and control expenditure.

2. OWNERSHIP OF LAND AND BUILDINGS.

In the report for the previous year, reference was made of that fact that the Institute did not have title deeds for some of the land vested in it. As at 30th June, 1998, the Institute still did not have title deed for its land at Kitale measuring about 1084 acres. In addition, substantial tracts of land belonging to the Institute's Research Centres were allocated to third parties apparently without Institute's approval. In particular four (4) pieces of land reference numbers LR No.2197R, 2049R, 207R and 90711/1, all measuring 2295.5 acres previously belonging to the Institute were allocated by the Government to individuals, churches and a school, evidently without the consent of the Institute and reportedly without due regard to possible adverse effect on present and future needs of agricultural research in the Country.

In the absence of title deeds as indicated above, it is not possible to confirm the correctness of the Balance Sheet fixed assets balance of Kshs.2,459,029,000.00 or even the ownership of the land thereof. It is also not possible to establish whether continued availability and use of the remaining KARI land for agricultural research is guaranteed.

The Committee heard the evidence given by the Chief Executive and was informed that substantial tracks of Land belonging to the Institute's research stations have continued to be allocated by the Government to various individuals, public and private organisations, and that ownership of some land has still not been determined for the issuance of title deeds.

The Committee was further informed:-

(i) **That the following are the allottees of KARI land in Kitale (Top Station).**

Top Station

KARI - LAND
PDP. NO.KTL.10.94.55

NO.	NAME OF ALLOTTEE	PLOT NO.	HAC.
1.	Christopher Kipkurui	A	4.015
2.	Patrick Kiplagat	B	4.015
3.	Zakayo Bargoiyet	I	2.00
4.	Silas Rotich	H	"
5.	Kennedy Kipkemoi	E	"
6.	Raymond Kimeli	F	"
7.	Patrick Analo	G	"
8.	George Ombaso	D	"

9.	Mrs Grace K. Omambia	C	"
10.	David S. Kipkemei	J	"
11.	Nathaniel K. Chepkener	K	1.855

PDP. NO.KTL.10.94.65

NO.	NAME OF ALLOTTEE	PLOT NO.	HAC.
1.	Leticia Chelimo	N	0.43
2.	Benjamin Kitur	M	"
3.	Abass S. Mohammed	L	"
4.	A.Y. Abdi	K	"
5.	D.K. Saina	J	0.29
6.	Wilson Chepkwony	I	0.33
7.	E.M. Kiragu	H	"
8.	Injene Indeche	F	"
9.	E.W. Kiboro	G	0.32
10.	William Kipkosgei	E	0.28
11.	Eric Maende	A	0.20
12.	Caleb Muluki	B	0.28
13.	James S. Munialo	C	0.24
14.	Silas Rotich	D	"

PDP. NO.KTL.10.94.70

NO.	NAME OF ALLOTTEE	PLOT NO.	HAC.
1.	Herman Kambi	E	1.31
2.	David Andere	F	"
3.	Anthony Lewa	G	1.0
4.	Patrick Kiplagat	A	1.9
5.	Patrick Chakava	B	2.02
6.	Samuel Mugatsia	D	1.90
7.	Vincent Sakwa	C	1.4

PDP. NO.KTL.10.94.72

1.	Joseph K. Kosgei	1.4375

PDP. NO.KTL.10.95.45

1.	Bishop. Silas Yego	1.10

PDP. NO.KTL.10.95.61

1.	William W. Anyenda	0.47

PDP. NO.KTL.10.95.54

1.	Kevin Kiprop		1.10

PDP. NO.KTL.10.95.53

1.	Wandegeya Co. Limited	A	1.1580
2.	Simon Thuo	B	0.350

PDP. NO.KTL.10.95.249

1.	Belle H. Masa	1	0.8
2.	Peris Chepchirchir	2	0.48
3.	Junes Saina	3	0.427
4.	C.O. Atieno	4	0.65

PDP. NO.KTL.10.94.83

1.	Mary Jemutai	A	1.220
2.	J.A. Wena	B	0.5200
3.	Mary J. Tonje	C	0.5300
4.	Mary J. Tonje & J.A. Wena	D	0.4800
5.	Mary Chebet	E	0.3780
6.	George Wanyova	F	0.3780

PDP. NO.KTL.10.94.46

1.	Elisha Murei	1	0.17
2.	Alice Busienei	2	0.27
3.	Daniel Biwott	3	0.26
4.	Jacob Leting	4	0.30
5.	William Ruto	5	0.17
6.	Isaiya Rotich	6	0.17
7.	George Wambafu	7	0.17
8.	David Sitienei	8	0.17
9.	Jona Sawe	9	0.17
10.	Andrew Kibet	10	"
11.	David Kipchoge Keino	11	"
12.	David Kiptoo	12	"
13.	Benjamin Tarus	13	"
14.	David Ruto	14	0.19
15.	Emilly Kili	15	0.17
16.	Isaac Leting	16	0.19
17.	Simon Kipketer	17	"
18.	Jacob Birech	18	"
19.	Joseph Chebii	19	"

20.	Filder Naibei	20	0.21
21.	David Rono	21	0.18
22.	Jeremia Ngetich	22	"
23.	Keprugutt Sareto	23	"
24.	Titus Chumo	24	"
25.	Claryce Otieno	25	"
26.	Sammy Sang	26	0.18
27.	Stanely Bitok	27	"
28.	Joseph Terer	28	0.19
29.	Hezekia Kessia	29	0.28
30.	David Oduor	30	0.21
31.	Kibiwott Kendagor	31	0.21
32.	Daniel Yego	32	"
33.	Edna Jacob	3	"
34.	Raphael Biwott	34	"
35.	Wilson Koech	35	"
36.	Rosaline Yego	36	"
37.	John Biwott	37	"
38.	Thomas Korir	38	"
39.	Anne Birir	39	0.21
40.	David Langat	40	0.18
41.	Mary Muthoni	41	"
42.	James Kiptoo	42	"
43.	Samuel M. Kogo	43	0.21
44.	Evaline Chemelei	44	"
45.	John Ngelechei	45	"
46	Zakayo Bargoiyet	46	"

PDP. NO.KTL.10.94.48

N0.	NAME OF ALLOTTEE	PLOT N0.	HAC.
1.	Shadrack Busienei	17	0.364
2.	Kibii Maiyo	18	"
3.	Justus Sang	19	"
4.	Joseph T. Chenjor	20	"
5.	Anthony Chemweno	21	"
6.	Solomon Kipkosgei	22	"
7.	Festus Kirwa	23	"
8.	Obed Bett	24	"
9.	Job Talam	25	"
10.	Kipkorir Kiptoo	1	0.189
11.	Laban Sogom	2	"
12.	Jeremy R. Birichi	3	"
13.	Shadrack Busienei	4	"
14.	Daniel Yego	5	"

15.	Japhet Mibey	6	"
16.	Julius Bii	7	"
17.	Wilson K. Kimaiyo	8	"
18.	Nehemia Samoei	9	"
19.	Sammy Boit	10	"
20.	Humprey Ndarawa	11	"
21.	Stephen Lelimo	12	"
22.	Richard K. Sumu	13	"
23.	William Koech	14	"
24.	Kimutai K. Haron	15	"

NO.	NAME OF ALLOTTEE	PLOT NO.	HAC.
PDP. NO.KTL.10.95.91			
1.	Ben Kipleting	1	0.2
2.	Allan Nyume	2	"
3.	Chepchirchir Korir	3	"
	PDP. NO.KTL.10.95.99		
1.	Stephen Kipruto	1	0.1575
2.	Andrew Koech	2	"
3.	Anthony Chesire	3	"
4.	Mirriam Busienei	4	"
	PDP. NO.KTL.10.95.98		
1.	Andrew Kosgei	1	0.16
2.	Ben Kipleting	2	"
3.	Andrew Kosgei	3	0.35
4.	Andrew Kosgei	4	0.18
5.	Ben Kipleting	5	0.18
	PDP. NO.KTL.10.95.56		
1.	Leah K. Ngetich	A	0.125
2.	Z.K. Chepngetich	B	0.125
3.	Kipkoech Kiprotich	C	0.10
4.	E. Menza	D	0.10
	PDP. NO.KTL.10.95.143		
1.	Major J.K. Krop	A	0.345
2.	Major Jacob Rialem	B	0.345

PDP. NO.KTL.10.95.144

1.	Stkham Enterprises	1	0.311
2.	Leap Enterprises	2	"
3.	Stephen Kiptoo	3	"
4.	Basal Investments	4	"

PDP. NO.KTL.10.94.33

1.	L. Chepkwony	C	2.0
2.	George Ombaso	B	2.0
3.	David Saina	G	2.0
4.	P.T. Sang	F	2.0
5.	M. K. Seroney	H	2.0
6.	Catherine Cherop	E	2.0
7.	Saleh K. Chepkole	A	2.0
8.	J. Mutai	D	2.0

PDP. NO.KTL.10.94.42

N0.	NAME OF ALLOTTEE	PLOT N0.	HAC.
1.	Peter Kiplagat	1	0.96
2.	Paul Nyamweya	2	0.96
3.	Juliu Kolil	3	0.96
4.	Simon Rotich	4	0.96
5.	George Ombasa	5	0.96
6.	William Koskei	6	0.96
7.	Melvin Chesang	7	0.96
8.	Grace K. Omambia	8	0.96
9.	Alexander Kiplagat	9	0.96
10.	Hellen Chelimo	10	0.96
11.	Bil Michah Omambia	11	0.96
12.	David Korir	12	0.96
13.	R.C. Butaki	13	0.96
14.	E.W. Wang'ombe	14	0.96
15.	E.M. Wawire	15	0.96
16.	Barnabas Mungo Longit	16	0.21
17.	Lawrence J. Ochengo	17	0.21
18.	Kelly Chelugui	18	"
19.	Athur Iyadi	19	"
20.	William Sawe	20	"
21.	Matilda P. Sakwa	21	"
22.	Judy T. Oduor	22	"
23.	Mary Cherutto	23	"
24.	David Osoro	24	"

25.	S.K. Cheruiyot	25	"
26.	Joseph K. Yego	26	"
27.	Joseph Yano	27	"
28.	Yofan Sangong	28	"
29.	D.R. Tuikong	29	"
30.	Philip Mongony	30	"
31.	Cornelius K.O. Nyamboki	31	"
32.	Yusuf Jamar Noor	32	"
33.	Marylucy Menjo	33	"
34.	Ben C. Kirui	34	"
35.	Robert Muyesi	35	"
36.	Joseph Kenyoru	36	"
37.	Christopher Ontita	37	"
38.	Michael Seroney	38	"
39.	Nathaniel Singoei	39	"
40.	Nathan Onamu	40	"
41.	Benjamin Imbogo	41	"
42.	Julius Kimoron	42	"
43.	I.K. Kipkoros	43	"
44.	Festus Obiri	44	"
45.	Patric Lel	45	"
46.	Clara Lagat	46	"

(ii) That although the Part Development Plans (PDP's) have been done, no title deeds have been issued by the Commissioner of Lands.

(iii) That the Provincial Administration has continued to harass the employees of KARI & KEPHIS who have protested the excision of KARI land and this has created animosity in the area which could lead to bitter confrontation.

(iv) That *Rev. Silas Yego,* Bishop of A.I.C. Church (Kenya) disassembled and removed the dairy equipment.

(v) That the Commissioner of Lands has revoked the allocation of three parcels of land namely Nos.21028,21029 and 21030 in Kitale Municipality.

<u>Top Station</u>

The Committee observed the following with concern:-

(i) That the Government land meant for research activities had been excised and allocated to private individuals and this has adversely affected the activities of the research centres.

(ii) That Government officials and individuals used their positions to illegally acquire KARI and KEPHIS land.

Of particular concern to the Committee were the following:-

(a) *Mr. Ben Mogaka,* the then District Commissioner, TransNzoia District who initiated and presided over the planning, sub-division and allocation of KARI land, acquired substantial amount of land under the names of his son *(Mr. George Ombaso,* wife *(Mrs Grace Omwambia),* several relatives and others.

(b) *Mr. R.C. Butaki,* the then Centre Director who should have been in the frontline in protecting KARI land, without proper authority of the Chief Executive and the Board, colluded with the then District Commissioner and illegally surrendered KARI land for subsequent allocation to individuals including himself.

(c) *Rev. Silas Yego,* Bishop of African Inland Church (Kenya), under the pretext of application of land for church use acquired land for himself and others.

(iii) That inspite of the overwhelming evidence adduced to the Committee that *Mr. Ben Mogaka* acquired substantial amount of Government land belonging to KARI in Kitale, the latter vehemently denied ownership of any land.

(iv) That names of several relatives of senior Government officials and companies were used to acquire KARI land in order to camouflage the true identities of the beneficiaries.

Lower Station

The Committee was informed as follows:-

(i) That the allottees of the lower station are as follows:-

Name	Size
1. Francis Ewaton Achuka (Sitting M.P.)	20 acres
2. Japhet Lotukoi Ekidor (former M.P.)	20 "
3. Silas Misoi Yego (Bishop AIC, Kenya)	20 "
4. Francis Polis Lotodo (deceased)	20 "
5. D.D. Afande (former Amb. and PS)	20 "
6. Nicholas K. Mberia (former PC, Eastern)	20 "
7. Samuel Moiben (former Nominated M.P.)	20 "

8. J.K. Soi (former OCPD, Kitale)	20 "
9. David K. Muthoka (C/E, EPZ)	20 "
10. Wilfred Ndolo (former DC)	20 "
11. Lawrence Sambai Rotich	20 "
12. T.K. Tuwei (former Director of Agriculture)	50 "
13. A.K. Cherwon (former Director of Land Adjudication)	50 "
14. Joseph Koech Juma	20 "

(ii) That the purported allocations were done under circulars emanating from the then Head of Public Service/Secretary to the Cabinet, *Mr. Joseph arap Leting* and the then Rift Valley Provincial Commissioner, the late *Ishmael Chelang'a.*

(iii) That the title deeds for the land allocated had been issued and that names of only two allottees could not be traced.

(iv) That on the strength of the circular, the land was converted into a settlement scheme by the Land Adjudication and Settlement Department.

The Committee observed the following with concern:-

(i) That KARI land was excised and allocated to individuals based on circulars allegedly issued by the then Head of Public Service/Secretary to the Cabinet and the then Rift Valley Provincial Commissioner. However, no circulars were made available to the Committee for scrutiny.

(ii) That the excision and acquisition of KARI land was done in contravention of existing land laws.

(iii) That the Commissioner of Lands was reluctant to establish the names of the beneficiaries of two unaccounted for plots.

<u>Limuru</u>

The Committee was informed as follows:-

- That the following were allocated land belonging to KARI in Limuru on diverse dates.

(i)	Dr. J. Kiano	- 23.2 hectares
(ii)	Rtd. Maj. Gen. D.N. Gichuru	- 12.14 hectares
(ii)	Renege P. Project Ltd	- 20.50 hectares
(iv)	Mrs. R. Karanja	- 10.00 hectares

That as a result of these allocations the Institute's research activities have been adversely affected as follows:-

(i) Lack of adequate land to conduct research particularly breeding.

(ii) Lack of adequate land to carry seed multiplication.

(iii) Siltation of dam due to cultivation and deforestation of the catchment area. Already the filters for the water drips for the floriculture are clogged.

(iv) The quarantine status is now violated. The alienation of the land, spread of diseases and pests is now a major concern for the production of basic seeds.

(v) The Centre is unable to meet its national mandate to provide adequate quantities of basic seeds.

(vi) Revenue generation (Appropriation-In-Aid) is hampered due to inadequate land for livestock, crops etc.

Limuru

The Committee observed the following with concern:-

- That as a result of these allocations and the resultant environmental degradation by new users, the water catchment area has been affected resulting in the drying up of the dam which is the sole source of water for irrigation being used by KARI.

- That whereas these individuals were allocated the rest of the land, KARI has been left with only 23 hectares of land which is inadequate for quality research activities that is necessary for agricultural production.

- That there were no justifiable grounds for the excision of KARI land and allocation of the same to the said elite and propertied class.

The Committee while noting that the Institute has received eleven title deeds for KARI Headquarters; NPRC, Molo; NHRC, Thika; NVRC, Muguga; and NARC Muguga; ARS-C, Matuga; RRS, Mtwapa; KARI NARL, Nairobi City; NAHR, Naivasha; NRRC, Kiboko Makindu; Kibos, Kisumu, compared to five in the previous year and has further received 23 letters of allotment while fifteen more parcels of land are being surveyed, nonetheless reiterates its

earlier recommendations under paragraph 2 of the 1996/97 (Ninth Public Investments Committee Report) that:-

Top Station

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

(ii) That the Government should guarantee the security of the employees of both KARI and KEPHIS.

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

(iv) That *Mr. Ben Mogaka,* the then District Commissioner, TransNzoia District and *Mr R.C. Butaki,* Centre Director Kitale, should be barred from holding any public office conferred by the Republic of Kenya.

(v) The Government should censor *Bishop. Silas Yego* for his conduct and the Committee recommends that he should be barred from holding any public office conferred by the Republic of Kenya.

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

Lower Station

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

Katoloni Farm

That the Commissioner of Lands should immediately issue a title deed to KARI for Katoloni land and report back by 31st December, 2002.

Limuru (Tigoni)

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

The Committee further recommends that the Chief Executive should liaise with the Commissioner of land with a view to obtaining titles for the 59 parcels of land for which the process of title acquisition had commenced.

KERIO VALLEY DEVELOPMENT AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KERIO VALLEY DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 1998

1. FINANCIAL POSITION

During the year 1997/98 the Authority incurred a massive deficit of Kshs.98,671,318 compared to the deficit of Kshs.4,901,507 realised in the year 1996/97. The Balance Sheet as at 30th June, 1998 also reflects negative working capital of Kshs.72,546,913. Evidently, therefore, the Authority's financial position is still quite precarious and its continued existence as a going concern will depend on continued support from its creditors, bankers and Government.

The Committee heard the evidence given by the Chief Executive that the Corporation incurred a deficit of Kshs.98,671,319 which was caused by reduction in budgetary provisions, inadequate releases of Exchequer issues and outstanding pending bills related to a different period.

The Committee further heard that the Balance Sheet as at 30th June, 1998 reflected a negative working capital of Kshs.72,546.913.

The Committee recommends that the Government should restructure the Corporation to make sure that it operates commercially to enable it meet its obligations including loan repayments.

The Committee further recommends that the Chief Executive should institute proper financial discipline in the expenditure management by the Authority.

2. KIMAO DAM - PHASE ONE PROJECT.

The contract in respect of the above Project was initially signed between the Authority and the contractor in 1991 at a total cost of Kshs.45,002,940. However, due to delays in making interim payments, the contract was terminated in March 1994, when the job was 43% complete and when a total amount of Kshs.21,900,000 had been paid to the contractor. The contractor, thereafter, sued for breach of contract claiming an amount of Kshs.7,611,063 in damages. This claim was awarded to the contractor but was not paid and as a result had attracted penalties and accrued interest thereon amounting to Kshs.5,098,262 as at 30th June, 1998. In March 1996 i.e. three years after termination of the contract the stalled Project was retendered at a contract price of

Kshs.168,795,510, which was about 800% more than the balance the Authority failed to pay on the earlier interim certificates. A review of the account of the original contractor showed that the Treasury and the Ministry of Agriculture and Rural Development, have paid Kshs.8,333,736 to that contractor which, according to the Authority, was the full settlement in accordance with task force report on Pending Bills. In the meantime, a Project which was initially contracted to cost Kshs.45,002,940 may, eventually, end up costing the Authority more than Kshs.199 million.

The Committee heard the evidence given by the Chief Executive that a contract was signed between the Authority and M/s *Kundan Singh* and Construction Ltd. at a total cost of Kshs.45,002,940 and the contract was terminated in March, 1994 due to delays in making interim payments.

The committee was informed that:-

(i) by the time the contract was terminated, an amount of Kshs.21,900,000 had been paid to the contractor for 43% works done.
(ii) the contractor sued for breach of contract and claimed an amount of Kshs.7,611,063 in damages arising from five months suspended work, loss of profits and costs incurred by the contractor's Head office.

The Committee was also informed that:-

(i) in March, 1996, the Authority tendered the remaining 57% of works of the stalled project and awarded the contract to M/s H.Z. & Co. Ltd. at the price of Kshs.168,795,510 which was seven (7) times the balance of Kshs.23,102,940 the Authority had failed to pay on the original contract.
(ii) an amount of Kshs.8,333,736 was paid in the year under review as full settlement in accordance with the task force report on pending bills.

The Committee was concerned that the then management of KVDA undertook the retendering of the project which was 43% complete at a contract price of Kshs168,795,510 which was seven (7) times the balance of the Kshs.23,102,940 which the Authority had failed to pay on the original contract.

The Committee observed that the earlier contract signed in 1991 at a cost price of Kshs.45,002,940 appears to have been frustrated with the intention of retendering the project and meeting unnecessary costs with motives quite detrimental to the corporation's and public interest.

The Committee recommends that the anti-corruption agencies should investigate whether there was conspiracy to determine the first contractor and hire second contractor, with the intention of defrauding the Corporation of huge sums of money, with a view to prosecuting culprits and recovering lost monies.

The Committee also recommends that the Chief Executive should in future ensure that there are adequate budgetary provisions for Projects before implementation to avoid escalation of costs.

3. ROSE FLOWER PROJECT

In the report for the year 1996/97 reference was made of the fact that the Authority irregularly acquired land parcels in Eldoret Municipality block 8/514 and 515 at a cost of Kshs.6.6 million and that the plots had been offered for sale at Kshs.2.5 million. It was also indicated that the plots were meant for a Rose Flower Development Project as approved by the Board in its 35th Meeting. In its 39th Board Meeting, however, the idea of Rose Flower Development Project was withdrawn and the land recommended for resale. Given the irregular manner in which the above parcels of land were acquired and the subsequent shelving of the Rose Flower Project, it is quite apparent that the Authority's interest and objectives were compromised by both the Board and the management in that the Project's feasibility study was inadequately done while the subject land was acquired from a Board member at a price which exceeded the vendor's offer by Kshs.4.10 million. Records also show that the land is still not yet registered in the name of the Authority.

The Committee heard the evidence given by the Chief Executive that the vendors of the Land Ref. Eldoret Municipality Block 8/514-515 offered the pieces of land to the Corporation at Kshs. 2.5 million vide their letter of 17th October, 1995.

The Committee was informed that subsequent valuation of the land by the Uasin-Gishu district land valuer on 20th March, 1996 gave a value of Kshs. 6.6 million which the Authority used for negotiations with the vendors.

The Committee was further informed that the Authority subsequently bought the land at Kshs.6.6 million and that the decision to buy the same was made by the Board of management.

The Committee made the following observations:-

(i) **A Board Member, Mr. Joseph Cheptarus and the then Managing Director Mr. Paul Chemweno connived with the vendors to defraud the Authority by purchasing the land at Kshs.6.6 million instead of Kshs.2.5 million initially offered by the vendors vide their letter of 17th October, 1995.**

(ii) **That the purchase of the said parcel of land was irregular as it was not in the year's budget, neither was it approved by the parent Ministry nor by the Treasury.**

(iii) **That the parent Ministry failed to carry out its supervisory role by abetting the flouting of rules by the Board and the then Managing Director.**

(iv) **That the Rose Flower Project was shelved by the Board when a substantial amount of money had been spent on the plot purchase.**

The Committee reiterates its earlier recommendations under paragraph 4 of the 1995/96 Accounts that:-

(i) **A Board Member, Mr. Joseph Cheptarus and the then Managing Director, Mr. Paul Chemweno should be held responsible for the irregular manner in which the land was bought and should jointly be made to pay an amount of Kshs.4,100,000 being the difference of the amount initially offered by the vendors and the amount finally paid to them.**

(ii) **The anti-corruption agencies should investigate the then Board Members for abusing their responsibility as trustees by acting against the interest of the Authority with a view to prosecuting them.**

(iii) **The then Managing Director, Mr. Paul Chemweno should be barred from holding any public office conferred by the Republic of Kenya.**

4. **PURCHASE OF LAND - PLOT L.R. NO.209/11950**

During the year 1997/98 the Authority spent Kshs.23,703,400 to purchase a plot of land containing some structures at Upper Hill - Plot L.R. No.209/11950, Nairobi. Additional expenditure of Kshs.8,733,560 was incurred to renovate the structures existing on the plot. However, no provision existed for this expenditure in the Authority's capital budget for the year 1997/98. Earlier in 1994 the Authority also spent Kshs.3,817,247 on purchase and repairs of a house at Kilimani, Nairobi but without following proper procurement procedures. Under the circumstances, therefore, the total expenditure of Kshs.36,254,207 on the purchase of the two properties appears to have been incurred without proper procurement procedures being followed as per the provisions of the State Corporations Act (Cap 446).

The Committee heard the evidence given by the Chief Executive that the Authority purchased two properties in Nairobi and carried out renovation works amounting to Kshs.12,550,807 without proper procurement procedures being followed.

The Committee further heard that no provision existed for the expenditure in the Authority's capital budget for the year 1997/98.

The Committee was concerned that the then management procured the two properties without due regard to procurement procedures.

The Committee strongly recommends that the then Chief Executive Mr. Paul Chemweno should be censured for the unsatisfactory manner in which the properties in question were procured and renovations carried out.

The Committee further recommends that Mr. Chemweno be investigated by the anti-corruption agencies for possible abuse of office or fraud with a view to prosecuting and surcharging him.

5. BUSH CLEARING CONTRACT.

In 1989 a contract to clear bush around Turkwel Multi-Project Reservoir was awarded to M/s Coastal Kenya Enterprises Limited at a cost of Kshs.130,829,000. Payments to the contractor were, however, stopped in 1993 on suspicion of. possible fraud when the unpaid balance was Kshs.10,159,510.50. Although the principal amount was settled during the previous financial year, it had, however, attracted accrued interest of Kshs.15 million as at 30th June, 1997 which accumulated to Kshs.37,187,142 as at 30th June, 1998. The Authority has not, however, indicated the action to be taken to resolve the issue in order to avoid further escalation of accrued interest and consequent loss of public funds. As the matter stands now, the outstanding debt is likely to accumulate further interest accruals for as long as the issue remains unresolved.

The Committee heard the evidence given by the Chief Executive that in 1993 all payments to M/s Coastal Kenya Enterprises Ltd. were suspended citing possible fraud in the contract and that interest continued to accrue on the principal of Kshs.10,159,510.50 outstanding at the time of suspension.

The Committee was informed that while the investigations were going on the Creditor went to court and obtained judgement against the Authority for non-payment of principal amount together with interest at a rate of 32% per annum.

The Committee was further informed that the amount which had accumulated to Kshs.37,187,142 was paid in June, 2001.

The Committee reiterates its earlier recommendations that the Chief Executive should furnish the Attorney General with all the relevant details

with a view to instituting criminals proceedings against the former Managing Director Mr. S.K. Tubei and any other persons involved.

The Committee further recommends that:-

(i) **Thorough investigations be carried out by the anti-corruption agencies over the manner in which the Bush Clearing contract was awarded and payments made with a view to preferring charges against culprits.**

(ii) **The M/s Coastal Kenya Enterprises Ltd. be precluded from award of Government contracts.**

6. EXPENSES THROUGH CREDIT CARD - KSHS.1,038,559

During the year 1997/98 the Authority's Chief Executive incurred expenditure on fuel and entertainment while reportedly on official business in Nairobi amounting to Kshs.852,382 through use of a credit card while a further amount of Kshs.186,177 was spent in respect of the driver's accommodation for the same period. Included in the expenditure of kshs.852,382 is an amount of Kshs.77,858 being cost of a bed purchased and purportedly delivered to the Authority's Guest House, Nairobi and another amount of Kshs.33,727 being fuel consumed by the Chief Executive's private vehicle. The bed could not be verified as being at he Guest House. It would appear that the Authority's Chief Executive continued to use a credit card, contrary to a Government directive dated 29th April, 1993 withdrawing the usage of credit cards by officers of State Corporations.

The Committee heard the evidence given by the Chief Executive that the then Chief Executive Mr. Paul Chemweno while on official duties in Nairobi incurred expenses on fuel and entertainment to the tune of Kshs.774,524 through credit card and Kshs.77,858 to purchase a bed to be used at the Authority's guest house in Nairobi.

The Committee further heard that Mr. Chemweno fueled his private car using funds belonging to the Authority to the tune of Kshs.33,727.

The Committee observed with concern that the Chief Executive used the Credit Card with impunity, which was unlawful.

The Committee recommends that the irregular expenditure of Kshs.1,038,559 incurred by the then Chief Executive Mr. Paul Chemweno be recovered from him.

KENYA BUREAU OF STANDARDS

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA BUREAU OF STANDARDS FOR THE YEAR ENDED 30TH JUNE, 1996

1. DELAY IN SUBMISSION OF ACCOUNTS

Although Section 31 of Exchequer and Audit Act (Cap 412) requires state corporations to submit their accounts not later than four months or such longer time as the National Assembly may by resolution appoint after the end of financial year, the Bureau's accounts were submitted for audit on 14th February, 1997, three and half months after the statutory date of 31st October, 1996. As far as I am aware the Bureau did not apply to the National Assembly for extension of time for submission of the accounts. Consequently, I was unable to report on the accounts by 31st January, 1997 in accordance with the law.

The Committee heard the evidence given by the Chief Executive that the Bureau failed to submit its accounts to the Auditor-General (Corporations) for audit within the stipulated period, and that no parliamentary approval for extension of submission period was sought.

The Committee noted that the Bureau is now submitting its accounts on time.

The Committee reiterates its earlier recommendations under paragraph 1 of the 1994/95, that any Chief Executive of the Bureau who, in future, causes delay in the submission of the accounts and fails to seek parliamentary approval to submit outside the statutory period, should be dismissed from the public service.

2. STALLED RADIATION LABORATORIES IN NAIROBI

At the close of the year under review the Bureau owed a construction company a total of Kshs.17,370,637 in penalties for delayed contractual payment. However, the proposed Radiation Laboratories project has since stalled and penalties continue to escalate. This position will no doubt lead to heavy losses to the Bureau and the Government.

The Committee heard the evidence given by the Chief Executive and was informed that the Bureau owed a construction company a total of Kshs.17,370,637 in penalties for delayed contractual payment in the year under review due to failure by the Treasury to provide funds budgeted.

The Committee was further informed that:-

(i) **The Bureau paid certificate No.4 for Kshs.7,472,166.55 in 1996 and has since made a total payment of Kshs.72,409,917.50.**

(ii) **The project is 98% complete with a pending bill of Kshs.49 million.**

(iii) **A donor is being approached to finance the equipment of the Laboratories.**

The Committee was concerned that no serious effort was being made to clear the pending bills in order to avoid escalation of penalties.

The Committee recommends that Chief Executive should liaise with the Treasury and the parent Ministry with a view to clearing the pending bills and completing the project by 30th April, 2003.

3. BUDGETARY CONTROL

During the year ended 30th June, 1996 the management did not exercise adequate budgetary controls and as a result incurred an over-expenditure of Kshs.26,000,000 which was neither sanctioned by the Board nor by the Parent Ministry.

The Committee heard the evidence given by the Chief Executive that the Corporation's over-expenditure of Kshs.26,000,000 was only based on a few items and that after doing a re-allocation of expenditure, it realised a savings of an amount in excess of Kshs.11,000,000.

The Committee was informed that the re-allocation was sanctioned by the Board in its meeting of 28th February, 1996 and the revised estimates forwarded to the Parent Ministry.

The committee deplored the Corporation's deliberate move to continuously incur expenses without recourse to the Board for approval.

The Committee reiterates its earlier recommendations under paragraph 5 of the 1994/95 Accounts of the Bureau that the Chief Executive should in future ensure that prudent budgetary practices are observed without exception.

KENYA BROADCASTING CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA BROADCASTING CORPORATION FOR THE YEAR ENDED 30TH JUNE, 1999

1. FINANCIAL POSITION

During the year 1998/99 the Corporation recorded a net deficit of Kshs.559,930,629 which brought its cumulative deficit to Kshs.5,166,658,017 as at 30 June, 1999. As was the case in the previous year, the Corporation was again unable, during the year under review, to service loan interest due and payable on the Overseas Economic Co-operation Fund guaranteed loan amounting to Kshs.431,617,053 as at 30th June, 1999. The Treasury had, therefore, to meet the obligation, thereby bringing cumulative interest paid by Treasury on behalf of the Corporation to Kshs.1,484,981,303 amounting to Kshs.536,967,192 as at 30th June, 1999 while interest payable to the Treasury by the Corporation amounting to Kshs.536,967,192 as at 30th June, 1997 was also not paid. Treasury did not, however confirm the interest charges on the total accumulated loan amounts for the years 1997/98 and 1998/99 and, as reflected in Note 8 to the Accounts, these undetermined charges are excluded from the Accounts for the year under review. The Corporation was also unable to pay VAT which had increased to Kshs.94,831,330 as at year end while the Balance Sheet as at 30th June, 1999 reflects negative working capital of Kshs.1,840,893,584. Evidently, therefore, the Corporation is technically insolvent and its continued operation is dependent on the support of the Government and its other creditors.

The Committee heard the evidence given by the Chief Executive that the Corporation recorded a deficit of Kshs.559,930,629 and that this deficit is attributable to interest on OECF loan and depreciation of assets.

The Committee further heard that the Government, as the sole shareholder and the guarantor of the loan, serviced the OCEF loan due to inability by the Corporation and that the Corporation did not pay VAT which had increased to Kshs.94,831,330 as it had not collected it from the clients.

The Committee was also informed that the Corporation with the Treasury and the Parent Ministry has come up with a joint cabinet memorandum on its financial position, whose outcome is still awaited.

The Committee recommends that the Chief Executive should explore other avenues of raising revenue with a view to improving the corporation's financial position to enable it meet its financial obligations.

2. FIXED ASSETS REGISTER AND TITLE DOCUMENTS

Although Section 43 of the Kenya Broadcasting Corporation Act, requires the Corporation to keep proper records of its assets and liabilities, the Corporation, just as was the case in previous years, did not maintain an up-to-date Assets Register. In addition, the Corporation did not hold title deeds for the previous pieces of land properties that it owns including land where its Headquarters are situated. In the circumstances, it was not possible to confirm that the Corporation's Assets are properly recorded and secured.

The Committee heard the evidence given by the Chief Executive that the Corporation has been unable to come up with an Assets Register because it inherited block figures without a register or any breakdown of the individual assets.

The Committee was informed that:-

(i) **Since the assets have to be recorded individually, it became necessary to evaluate each of these assets and to record their values in the register.**
(ii) **The Corporation inherited pieces of land without title deeds and has asked the Commissioner of Lands to effect the transfers in favour of the Corporation but this has not been done.**
(iii) **The Corporation was in the process of finalising the assets valuation exercise to enable it to come up with an up-to-date Assets Register.**

The Committee reiterates its earlier recommendations under paragraph 4 of the 1997/98 Accounts, in the 10th Report that:-

(i) **The Chief Executive should ensure that an up-to-date Fixed Assets Register is maintained.**
(ii) **The Chief Executive should liaise with the Commissioner of Lands with a view to ensuring that title documents are issued for its various pieces of land by 31st March, 2003.**

3. OUTSTANDING DEBTORS

The Corporation's Balance Sheet reflects an amount of Kshs.404,876,860 in respect of debtors as at 30th June, 1999. Records, however, show that the Corporation has not been able to recover some Kshs.184,536,941 being debts that have been outstanding for periods more than one year. Although the Corporation had earlier indicated that a Debt Recovery Committee had been

formed to recover long outstanding debts, the methodologies and machinery to be used for effective recovery of old accounts have not, however, been clearly stated.

The Committee heard the evidence given by the Chief Executive that the Corporation's debtors stood at Kshs.404,876,860 as at 30th June, 1999 and that it was unable to recover Kshs.184,536,941 which relates to the debts* of the then Voice of Kenya, disputed cases and liquidated companies.

The Committee was informed that a Debt Recovery Committee is reconciling all the disputed accounts in order to get the actual figures for ease of recovery.

The Committee observed that the Corporation was exhibiting laxity in the recovery of the said debts.

The Committee recommends that the Chief Executive should step up efforts including legal redress to recover outstanding debts.

The Committee further recommends that the Chief Executive should strengthen the Corporation's credit control system.

4. **LOSS OF KSHS.10,310,474.00 THROUGH FRAUD**

During the period between March 1997 and March 1998, the Corporation lost a total of Kshs.10,310,474 as a result of misappropriations perpetrated through fraudulent manipulation of the Corporation's records and documents. The Misappropriations took place at various stations as follows:-

			Kshs.
(i)	Nairobi Posta Sacco Revenue Office	-	7,409,947
(ii)	Thika Revenue Office	-	2,847,820
(iii)	Bungoma Station	-	52,707
	Total	-	**10,310,474**

These frauds were perpetrated as a result of lack of effective internal control system and or failure to effectively enforce the internal control system mechanisms in place. Although the employees involved in the frauds have since been dismissed from service, it is not clear, however, what other action the Corporation contemplates taking to recover the losses.

The Committee heard the evidence given by the Chief Executive that between March 1997 and March 1998, the Corporation lost a total of Kshs.10,310,474 as result of misappropriations perpetrated through

stealing TV and Radio permits from the Posta Sacco and Thika Revenue offices and Cash in Bungoma.

The Committee was informed that the culprits have since been dismissed from service while one of them was taken to court and jailed for 3 years.

The Committee was concerned that the said cases of fraud took place due to lack of effective internal control system and timely audits.

The Committee recommends that the Chief Executive should ensure that effective internal control system is put in place to stem fraud cases.

KENYA TOURIST BOARD

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA TOURIST BOARD FOR THE YEAR ENDED 30TH JUNE, 1999

1. LATE SUBMISSION OF ACCOUNTS

Although Section 31 of the Exchequer and Audit Act, (Cap 412), required the Board to submit for audit its Accounts for the year 1998/99 in October, 1999, the Accounts were, however, not submitted until 11th May, 2000 more than six months after the statutory date for submission. The delay in the receipt of the Accounts undoubtedly affected adversely the programme of audit in so far as the compliance with audit reporting within the statutory deadline was concerned. No resolution by the National Assembly authorizing submission of the accounts outside the statutory deadline was seen.

The Committee heard the evidence given by the Chief Executive that the Board submitted its Accounts for the year 1998/99 on 11th May, 2000 more than six months after the statutory date.

The Committee was informed that the accounts were subsequently submitted on 14th April, 2000 and that subsequent Accounts have been submitted within the deadline.

The Committee recommends that any Chief Executive of the Board who, in future, causes delay in the submission of the accounts and fails to seek parliamentary approval to submit outside the statutory period, should be dismissed from the public service.

2. FINANCIAL POSITION

In the year 1998/99, the Board recorded a deficit of Kshs.15,729,851 compared to a surplus of Kshs.16,296,603 realized in the previous year. The above deficit of Kshs.15,729,851 reduced the Board's accumulated surplus to Kshs.566,752 as at 30th June, 1999 while the Balance Sheet reflects negative working capital of Kshs.2,156,595 as at the same date. Evidently, therefore, the Board appears to be facing a serious financial problem and its continued operation is dependent on the support of Government and its creditors.

The Committee heard the evidence given by the Chief Executive that the Board recorded a deficit of Kshs.15,729,851 in the year 1998/99 reducing the accumulated surplus to Kshs.566,752 as at 30th June, 1999.

The Committee was informed that the Board is a non-profit making organization solely dependent on grants for its operations.

The Committee noted that the situation has since improved and the Board recorded a surplus of Kshs.12,195,762 and Kshs.47,238,049 in the years 1999/2000 and 2000/2001 respectively due to increased government grants and intervention from the European Economic Commission (EEC).

The Committee recommends that the Chief Executive should ensure that the Board operates within the approved budget.

3. IRREGULAR PROCUREMENT OF MARKETING SERVICES.

Out the Board's total Marketing and Promotion expenditure of Kshs.87,919,468 incurred during 1998/99, Kshs.51,046,724 was paid to a London-based firm which had been contracted to provide such services but without proper procurement procedures being followed. No open tendering or quotations were invited for supply. In addition, no written contract between the Board and the Marketing firm in covering the supply agreement was seen. It was not clear, therefore, how the firm was identified for contracting and in the absence of any written contract between the two parties, it was not possible to confirm whether the amount of Kshs.51,046,724 paid by the Board to the firm for provision of marketing services was properly incurred. Available information also indicates that a total amount of Kshs.24,046,724 was paid direct to the Marketing firm without the funds being channeled through the Board for accounting purposes.

The Committee heard the evidence given by the Chief Executive that out of the expenditure of Kshs.87,919,468 incurred by the Board in the year under review on marketing and promotion, an amount of Kshs.51,046,724 was paid to Representation Plus UK, a London based firm which had been contracted by the then Ag. Chief Executive Mr. James Flannery without following proper procurement procedures.

The Committee further heard that the amount had been sourced from the Kenya Airways and KLM with Kenya Tourist Development Corporation (KTDC) pledging a total of Kshs.24,046,723.95.

The Committee was informed that the Ministry of Tourism transferred the pledged funds to the account of Representation Plus UK on behalf of KTDC.

The Committee observed with concern that the then Chief Executive of the Board Mr. Flannery irregularly awarded the tender for provision of marketing services on a single sourcing basis to the firm without recourse to the laid down regulations.

The Committee abhorred the manner in which the Board approved the appointment of the firm without ensuring that proper tendering procedures had been adhered to.

The Committee recommends that the then Ag. Chief Executive of the Kenya Tourist Board Mr. James Flannery and the then Board under the Chairmanship of Mr. Eliud Mahihu should be held responsible for the irregular manner in which the tender for marketing services was awarded to Representation Plus UK.

The Committee further recommends that the Chief Executive should adhere to the procurement regulations in the procurement of goods and services.

KENYA NATIONAL EXAMINATIONS COUNCIL

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE KENYA NATIONAL EXAMINATIONS COUNCIL FOR THE YEAR ENDED 30TH JUNE, 1999.

1. WORK IN PROGRESS (NEW MITIHANI HOUSE)

In my previous years' reports reference was made to the Balance Sheet buildings (work-in-progress) figure of Kshs.61,979,845 which has remained the same since 30th June, 1991. As earlier stated, the amount relates to Mitihani House Project which stalled in December 1989 when the Ministry of Education and the Treasury stopped disbursement of funds for the Project. Although available information indicates that the Council is working towards having the project revived, the question of further funding has not, as far as I have been able to ascertain, been resolved todate. In the event that the Project is revived, it is quite clear that its overall cost will be much higher than originally planned as a result of costs escalation due to delayed completion.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet figure of Buildings (Work-In-Progress) of Kshs.61,979,845 which has remained the same since 30 June, 1991 relates to the *Mitihani* House Project which stalled in December, 1989.

The Committee was informed that:-

(i) **The Contract for construction of the project was awarded in 1986 to M/s *Mistry Jadva Parbat* and Co. Ltd. as the main contractor with the initial cost of Kshs.248,925,596 and was estimated to be completed in December, 1990.**

(ii) **The building was customer designed to house all activities related to the conduct of National Examinations inclusive of printing.**

(iii) **The project stalled in August 1989 with 20% of project work completed when the Ministry of Education and the Treasury stopped disbursement of funds for the project.**

(iv) **The Council submitted pending Bills for the project amounting to Kshs.100,511,535.0 as at 31st August, 2000 to the Special Task Force in Treasury for settlement.**

(v) **The Ministry of Education appointed a Technical Committee consisting of representatives from the Ministries of Education and Public Works and Housing and the Kenya National Examinations Council whose mandate was to study and make recommendations on the stalled building. The Committee recommended *Inter-alia,* that**

the contract be terminated by mutual consent and the contractor paid all his outstanding dues and the project handed over to the Council.

The Committee was concerned that the Parent Ministry and Treasury have neither been able to provide funds to complete the project nor have they taken necessary steps to mutually wind-up the project inspite of the promise made when the Council appeared before the Committee.

The Committee reiterates its earlier recommendations under paragraph 2 of the 1996/97 Accounts that:-

(i) **The Chief Executive should, in liaison, with the parent Ministry, and the Ministry of Finance and Planning, clear the pending certificates as agreed during the mutual winding up of the project.**

(ii) **The Chief Executive should endeavour to complete the project to avoid further escalation of building cost.**

2. **MINISTRY OF EDUCATION DEBT KSHS. 1,467,292**

The Debtors figure of Kshs.16,925,041 reflected on the Balance Sheet as at 30th June, 1999 includes an amount of Kshs.1,467,292 owed to the Council by the Ministry of Education. Available information indicates that the debt arose from expenses incurred by the Council on behalf of the Ministry in respect of C.P.E. and K.J.S.E way back in the year 1980/81. Although the Council appears to have made effort to recover the debt from the Ministry, no response from the Ministry has, however, been seen. The Council has, in the meantime, made full provision of the debt in the Accounts for the year 1998/99 thus confirming that recoverability of the amount is now considered as highly doubtful. It is not clear, however, why the Ministry has not settled this long outstanding debt as no dispute regarding the debt has been recorded from the Ministry.

The Committee heard the evidence given by the Chief Executive and was informed that the Ministry has not settled the debt amounting to Kshs.1,467,292 owed to the Council.

The Committee was further informed that the Ministry had made a budgetary provision to settle the debt in its Revised Recurrent Estimates for the year 2001/2002.

The Committee recommends that the Chief Executive should liaise with the Ministry with a view to having the debt settled without further delay.

3. LEASEHOLD PROPERTY

The Balance Sheet Fixed Assets figure of Kshs.289.499.051 includes an amount of Kshs.2,413,780 being the value of leasehold a land and building (LR 209/6900) at Gatundu Close - Kileleshwa. Although the property was inherited from defunct East African Examinations Council in 1977. the Council does not, however, hold a title deed for the plot. In the absence of such certificate of ownership, therefore, it has not been possible to fully confirm the Council's ownership of the property.

The Committee heard the evidence given by the Chief Executive that the Council does not hold a title deed for its land and building LR 209/6900 at Gatundu close, Kileleshwa which the Council inherited from the defunct East African Examinations Council in 1977.

The Committee further heard that the Council has applied for a provisional certificate for the title and that the Registrar of Titles has reported the loss of the title through Kenya Gazette Notice No.6873 of 12th October, 2001.

The Committee noted that a provisional certificate of title L.R.24503 has been issued pending issuance of title.

The Committee recommends that the Chief Executive should liaise with the Commissioner of Lands with a view to acquiring the title document for the said plot by 31st December, 2002.

KENYA NATIONAL EXAMINATIONS COUNCIL

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE KENYA NATIONAL EXAMINATIONS COUNCIL FOR THE YEAR ENDED 30TH JUNE, 2000.

WORK-IN-PROGRESS-MITIHANI HOUSE PROJECT

In my previous years' reports reference has repeatedly been made regarding the Balance Sheet Building (Work-In-Progress) figure of Kshs.61,979,845 which has remained static since 30th June, 1991. As earlier indicated the amount relates to Mitihani House Project which stalled in December, 1989 when the Ministry of Education and the Treasury stopped disbursement of funds for the Project. A review of the matter during the year 1999/2000 showed than no progress has been made with regard to the stalled project. Accordingly, and in view of the foregoing it would appear that the Council's earlier intention to have the project revived now seems to have been shelved.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet figure of Buildings (Work-In-Progress) of Kshs.61,979,845 which has remained the same since 30 June, 1991 relates to the Mitihani House Project which stalled in December, 1989.

The Committee was informed that:-

(i) **The Contract for construction of the project was awarded in 1986 to M/s Mistry Jadva Parbat and Co. Ltd. as the main contractor with the initial cost of Kshs.248,925,596 and was estimated to be completed in December, 1990.**

(ii) **The building was customer designed to house all activities related to the conduct of National Examinations inclusive of printing.**

(iii) **The project stalled in August 1989 with 20% of project work completed when the Ministry of Education and the Treasury stopped disbursement of funds for the project.**

(iv) **The Council submitted pending Bills for the project amounting to Kshs.100,511,535.0 as at 31st August, 2000 to the Special Task Force in Treasury for settlement.**

(v) **The Ministry of Education appointed a Technical Committee consisting of representatives from the Ministries of Education and Public Works and Housing and the Kenya National Examinations Council whose mandate was to study and make recommendations on the stalled building. The Committee recommended *Inter-alia,* that the contract be terminated by mutual consent and the contractor**

paid all his outstanding dues and the project handed over to the Council.

The Committee was concerned that the Parent Ministry and Treasury have neither been able to provide funds to complete the project nor have they taken necessary steps to mutually wind-up the project inspite of the promise made when the Council appeared before the Committee.

The Committee reiterates its earlier recommendations of 1998/99 Accounts that:-

(i) The Chief Executive should, in liaison, with the parent Ministry, and the Ministry of Finance and Planning, clear the pending certificates as agreed during the mutual winding up of the project.

(ii) The Chief Executive should endeavour to complete the project to avoid further escalation of building cost.

NATIONAL MUSEUMS OF KENYA

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE NATIONAL MUSEUMS OF KENYA FOR THE YEAR ENDED 30TH JUNE, 1999

LEGALLY CONSTITUTED BOARD

During the year 1998/99, the National Museums of Kenya operated with a Board of Directors which was illegally in office as its term of appointment had, under section 6(2) of the State Corporations Act, (Cap 446), expired on 04 November, 1997. In the absence of a properly and legally constituted Board, it was not possible to ascertain how the mandate placed upon the Museums' Board under Section 15(1) of the State Corporations Act, was executed.

The Committee heard the evidence given by the Chief Executive that the National Museums of Kenya operated with a Board of Directors which was illegally in office as their term had expired on 4th November, 1997.

The Committee was concerned that the Parent Ministry abetted the existence of an illegal Board of Directors without a reasonable cause.

The Committee was further concerned by the misleading legal opinion given by the office of the Attorney General that the ungazetted Board acted *intra-vire.*

The Committee recommends that the Chief Executive and the Parent Ministry should ensure that a legally constituted Board is in office all the time without exception.

The Committee further recommends that all benefits enjoyed by Board Members while illegally in office must be recovered from them.

KENYA SISAL BOARD

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

1. FIXED ASSETS

The Balance Sheet fixed assets figure of Kshs.9,073,175 includes Agriculture Show of Kenya stand valued at Kshs.256,034 which has been used by Kenya Broadcasting Corporations since 1996. However, the Board has not been able to produce, for audit verification, the lease agreement signed between the Board and the Corporation stipulating the terms under which the Corporation used this stand. The Board has also not recovered any rent from the Corporation since 1996 and Board's surplus of Kshs.3,312,677 is understated to the extent of the rent income not recovered form the use of this property Kenya Broadcasting Corporation.

The Committee heard the evidence given by the Chief Executive that included in the Balance Sheet fixed assets figure of Kshs.9,073,175 is an Agricultural Show of Kenya stand valued at Kshs.256,034 which had been used by the Kenya Broadcasting Corporation since 1996.

The Committee was informed that the Board stopped using the stand in 1995 due to lack of funds and decided to sell the structures on the stand to Kenya Broadcasting Corporation for an amount of Kshs.230,430.45.

The Committee noted that the structures were purchased by Kenya Broadcasting thereby resolving the audit query.

2. DEBTORS AND PREPYAMENTS.

2.1 The debtors and prepayments figure of Kshs.891,280 includes cash advances totalling Kshs.370,106 to the Chief Executive of the Board some of which have been outstanding for over two years. The Board has not explained under what terms these advances were made and how they will be recovered.

2.2 Further, the debtors figure also includes pension payments amounting to Kshs.77,690 made of two former employees of the Board by the Board as the Insurance Company with which the Board was running its staff scheme was under liquidation. The board has not advised me of any arrangements with the liquidator on how to make good the debt or even how the rest of the pension funds will be made available to the pensioners.

The Committee heard the evidence given by the Chief Executive that he was advanced an amount of Kshs.370,106 some of which had been outstanding for over two years.

The Committee was informed that the Board lodged a proof of debt with the Official Receiver of Kenya National Assurance Company (in liquidation).

The Committee observed that the Chief Executive was irregularly advanced Kshs.370,106.

The Committee recommends that:-

(i) **The Chief Executive should surrender the amount of Kshs.370,106 which was advanced to him.**

(ii) **The Chief Executive should be investigated for possible abuse of office by the Inspector-General (Corporations) and other anti-corruption agencies.**

(iii) **The Chief Executive should liaise with the liquidator of Kenya National Assurance (in liquidation) with a view to recovering the pension funds held in Kenya National Assurance.**

3. **CONSTRUCTION CONTRACTS.**

During the year under review, tenders were invited for the re-construction of the Board's Godown number four which had been destroyed by fire. A review of the quotations indicated that the contract was, vide minute number 22/96 of November, 1996 awarded to the fifth lowest bidder who quoted Kshs.11,999,500 while the lowest bidder quoted Kshs.9,126,269.

Had the contract been awarded to the lowest bidder, the Board would have saved Kshs.2,873,236. The Board has not given satisfactory reasons for the awarding of the contract to the fifth lowest bidder which resulted in the overpayment of Kshs.2,873,236.

The Committee heard the evidence given by the Chief Executive that the Board was guided by bills of quantities from the Ministry of Roads and Public Works in the award of contracts for the reconstruction of Godown No.4 to the fifth lowest bidder.

The Committee was informed:-

(i) **That the estimated cost by the Ministry of Roads and Public Works was Kshs.12,220,955 while the tender was awarded to M/s Fahari Building and Civil Engineering at Kshs.12,039,500.**

(ii) That the lowest bidder M/s Peak Engineering and Construction Company Ltd. who had quoted Kshs.9,126,264 was rejected since it had under priced some of the major items in its tender.

The Committee recommends that procurement regulations should be adhered to in the procurement of goods and services.

MINUTES OF THE FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON THURSDAY AUGUST 09, 2001 AT 10.00 A.M.

PRESENT

The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. J.B.N. Muturi-, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Wafula Wamunyinyi, M.P.

ABSENT WITH APOLOGY

The Hon. Grace Mwewa, M.P.
The Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Murumba Werunga-		Deputy Clerk
Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

MIN. NO.1/2001 **REMARKS BY THE DEPUTY CLERK INCHARGE OF COMMITTEES , RESEARCH AND LIBRARY**

The Deputy Clerk incharge of Committees welcomed the Members to the meeting and urged the Committee to ensure that it finishes its work during the session within which it is appointed so as to give room to the next Committee.

MIN. NO.2/2001 **POSTPONEMENT OF ELECTION OF CHAIRMAN**

The election of Chairman was postponed until Thursday August 16, 2001 in order to seek guidance from the Speaker on the interpretation of Standing Order No.148(1) in view of the appointment of some Members of National Development Party (NDP) as Ministers and the information from the House Business Committee to the effect that a member of NDP could not chair the Public Investments Committee.

The Committee further wanted clarification on the nomination of Members of the Committee given the proviso in Standing Order 148(1) that, "the ruling Party shall have a majority of not more than two."

MIN. NO.3/2001 **ADJOURNMENT**

The Sitting was adjourned at ten minutes past Eleven O'clock until Thursday August 16, 2001 at 10.00 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON THURSDAY AUGUST 23, 2001 AT 10.00 A.M.

PRESENT

The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Grace Mwewa, M.P.

ABSENT WITH APOLOGY

The Hon. J.B.N. Muturi, M.P.
The Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. S.W. Ndindiri - Clerk of the National Assembly
Mr. Michael Sialai - Clerk Assistant I
Mrs. Serah Kioko - Clerk Assistant III

MIN. NO.4/2001

REMARKS BY THE CLERK OF THE NATIONAL ASSEMBLY

The Clerk welcomed Members of the Committee to the meeting and informed them that following the request of the Committee for Speaker's guidance on the interpretation of Standing Order No.148(1) in the light of the appointment of some of Members of the National Development Party of Kenya (NDPK) as Ministers, the Speaker had decided as follows:-

(i) the provisions of Standing Order No.147 and 148 as to the membership of both the Public Investments Committee (PIC) and the Public Accounts Committee (PAC) including chairmanship had not changed inspite of the Ministerial appointments.

(ii) the Standing Orders Committee would convene to study the questions precipitated by the prevailing relations of the Kenya African National Union

(KANU) and National Development Party of Kenya (NDPK).

MIN. NO.5/2001

POSTPONEMENT OF ELECTION OF CHAIRMAN

The Returning Officer postponed the election of Chairman to a later date to seek further guidance from the Speaker on the implications of the KANU/NDPK relationship following appeal by some Members.

MIN. NO.6/2001

ADJOURNMENT

The Sitting was adjourned at ten minutes past Eleven O'clock until Wednesday August 29, 2001 at 10.00 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON TUESDAY OCTOBER 02, 2001 AT 10.00 A.M.

PRESENT

The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY

The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. S.W. Ndindiri - Clerk of the National Assembly
Mr. Michael Sialai - Clerk Assistant I

MIN. NO.7/2001

REMARKS BY THE CLERK OF THE NATIONAL ASSEMBLY

The Clerk welcomed Members of the Committee to the meeting and reminded them that the Committee had asked him to seek further guidance from the Speaker on the interpretation of Standing Order No.148(1) in the light of his ruling of 17th August, 2001. He informed them that Mr. Speaker had decided that he would not revisit his ruling and that he had directed the Standing Orders Committee to convene in order to study the questions precipitated by the prevailing relation of KANU and NDPK.

He asked the Committee to abide by the Speaker's ruling and to work as a unit and be non-partisan in discharging their duties.

MIN. NO.8/2001

ELECTION OF CHAIRMAN

Before the Clerk conducted the election, the Committee requested him to allow them time to consult. Upon reconvening, the following Members decided to withdraw from participating in the election in view of Mr. Speaker's ruling and to consult further on their participation in the proceedings of the Committee.

The Hon. John M. Katuku, M.P.
The Hon. F. Mwangi Kiunjuri, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Wafula Wamunyinyi, M.P.

The Members remaining in the Committee Room proceeded to hold the election of the Chairman. Thereupon, the Clerk called for proposals in which Hon. Ochilo Ayacko, M.P. was proposed by Hon. Ali Shaaban, M.P. and seconded by Hon. David Kombe, M.P.

In the absence of any other proposal, the Clerk declared Hon. Ochilo Ayacko, M.P. unanimously elected as Chairman.

MIN. NO.9/2001

CHAIRMAN'S REMARKS

Hon. Ochilo Ayacko, M.P. assumed the Chair and thanked his colleagues for unanimously electing him the Chairman of the Committee.

He called upon the Committee to work as a team and to avoid partisanship when discharging their duties.

MIN. NO.10/2001

ANY OTHER BUSINESS

The Committee resolved to meet on Friday 5th October, 2001 at 10.00 a.m. to draw up the Sitting programme of the Committee.

MIN. NO.11/2001

ADJOURNMENT

The Chairman adjourned the sitting at Eleven O'clock until Friday October 5, 2001 at 10.00 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)
SIGNED .....
(CHAIRMAN)

27th February, 2002
DATE .....

MINUTES OF THE FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON TUESDAY OCTOBER 16, 2001 AT 10.00 A.M.

PRESENT

The Hon. Ochilo Ayacko, M.P. **(Chairman)**
The Hon. Sayyid M. Amin, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. J.B.N. Muturi, M.P.

ABSENT WITH APOLOGY

The Hon. David Kombe, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Wafula Wamunyinyi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai		Clerk Assistant I.
Mrs. Serah Kioko	-	Clerk Assistant III.

MIN. NO.12/2001 **CONSIDERATION OF THE DRAFT SITTING PROGRAMME FOR NOVEMBER-DECEMBER, 2001**

The Committee considered and approved the draft Sitting programme for November-December, 2001 with amendments.

It was resolved that during the month of November, the Committee would sit on Thursday and Fridays instead of Mondays and Fridays.

MIN. NO.13/2001 **ADJOURNMENT**

The Chairman adjourned the sitting at fifty minutes past Ten O'clock until Friday November 02, 2001 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)
SIGNED .....
(CHAIRMAN)
27th February, 2002
DATE .....

MINUTES OF THE FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON TUESDAY OCTOBER 23, 2001 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY

The Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

The Hon. K.X.F. Ole Kaparo, E.G.H, M.P. - Speaker of the National Assembly
Mr. S.W. Ndindiri - Clerk of the National Assembly
Mr. Michael Sialai - Clerk Assistant I
Mrs. Serah Kioko - Clerk Assistant III

MIN. NO.14/2001

REMARKS BY THE SPEAKER OF THE NATIONAL ASSEMBLY

The Speaker observed that current political realignments had created political situations that were not provided for in either the Constitution or other legal framework, a factor that made it difficult for the Chair to make procedural interpretations, given the fact that it was not the business of the Chair to interpret political alignments since he deals with the House and not political parties.

The Speaker further observed that the function of watchdog committees of which PIC is one, was to oversee the operations of the Government in regard to use of public funds, which was the spirit behind their being chaired by Members of parties in the opposition. In the same breadth, he observed that it was only rational that these committees be chaired by Members of

parties not sympathetic to the ruling party. A member of the National Development Party (NDPK) could, therefore, not chair the Committee since the party was sympathetic to the ruling party.

On Committee membership, the Speaker informed the Committee that the NDPK was a distinct party from the ruling party and hence the composition of the Committee had not been affected by the relationship between the two parties.

The Speaker reminded Committee members that in discharging their duties in committees they should do it as representatives of the National Assembly working for and on behalf of Parliament and not for political parties.

MIN. NO.15/2001 **ELECTION OF CHAIRMAN**

The Speaker conducted the proceedings for the election of the Chairman.

He called for proposals and Hon. Wafula Wamunyinyi, M.P. was proposed by Hon. J.B.N. Muturi, M.P. and seconded by Hon. David N. Kombe, M.P.

In the absence of any other proposal, the Speaker declared Hon. Wafula Wamunyinyi, M.P. unanimously elected Chairman.

MIN. NO.16/2001 **REMARKS BY THE CHAIRMAN**

The Hon. Wafula Wamunyinyi, M.P. assumed the Chair and thanked his colleagues for unanimously electing him the Chairman of the Committee.

He called upon Members to put aside their party differences and urged them to uphold the spirit of teamwork and dedication to duty in discharging the mandate entrusted to them by the House.

MIN. NO.17/2001 **ADJOURNMENT**

The Chairman adjourned the sitting at ten minutes past Twelve O'clock until Friday October 26, 2001 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON FRIDAY OCTOBER 26, 2001 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY

The Hon. Grace Mwewa, M.P.
The Hon. David Kombe, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai - Clerk Assistant I
Mrs. Serah Kioko - Clerk Assistant III

MIN. NO.18/2001 **CONSIDERATION OF THE PROGRAMME OF SITTING FOR NOVEMBER - DECEMBER**

The Committee rescheduled the Sitting of Friday, November 09, 2001 to Monday 12, 2001.

The Committee in addition, asked the Secretariat to finalise the logistics on the visits to the various Parliaments as earlier agreed upon by the Committee.

MIN. NO.19/2001 **ADJOURNMENT**

The Chairman adjourned the sitting at forty minutes past Ten O'clock until Monday November 12, 2001.

Hon. Wafula Wamunyinyi, M.P. (Chairman)
SIGNED .....
(CHAIRMAN)

27th February, 2002
DATE .....

MINUTES OF THE SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS. ON FRIDAY, NOVEMBER 16, 2001 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY

The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. P.K. Muasya	-	Director of Audit
Mr. Ben Okondo	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. D.A. Ongati	-	Senior Accountant

INSPECTORATE OF STATE CORPORATIONS

Ms. J.M. Wesonga	-	Senior Auditor

MIN. NO.20/2001

EVIDENCE

Report and Accounts of Agricultural Finance Corporation for the year 1997/98 thereon by the Auditor General (Corporations).

Mr. Gideon Toroitich, Managing Director, Agricultural Finance Corporation accompanied by Mrs. Ruth Otima, technical Services Coordinator; Mrs. Mary Onyango, Ag. Financial Controller; Mr. Mumo Matemu, Corporation Secretary; Mr. Kipremboi Tallam, Personnel Administration Manager; Mr. Henry Shikokoti, Chief Internal Auditor; and Mr. D.J. Mwasaga, Deputy Secretary, Ministry of Agriculture and Rural Development appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1997/98.

MIN. NO.21/2001

DEFERRED EVIDENCE: PARAGRAPH 1 OF THE 1997/98 ACCOUNTS - OPERATING PERFORMANCE

The Committee deferred taking evidence on the paragraph and resolved that the Permanent Secretaries, Ministries of Agriculture and Rural Development and Finance and Planning appear at a later date to explain why no decision on the recommendation to restructure the Corporation had been made.

MIN.NO.22/2001

ADDITIONAL INFORMATION: PARAGRAPH 2 OF THE 1997/98 ACCOUNTS - LOAN ARREARS

The Committee directed the Chief Executive to submit a list of all loanees indicating category of each loan.

Where loaness are companies, names of the directors of the Companies should be indicated.

MIN. NO.23/2001

DEFERRED EVIDENCE

The Committee deferred taking evidence on Paragrapn 3 of the 1997/98 Accounts and the Accounts of the Agency Seasonal Crop Credit Loans for 1997/98 to a later date.

MIN. NO.24/2001

ADJOURNMENT

The Chairman adjourned the Sitting at forty five minutes past Eleven O'clock until Friday November 23, 2001 at 9.00 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON FRIDAY, NOVEMBER 23, 2001 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.

ABSENT WITH APOLOGY

The Hon. Abubakar M. Badawy, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. E.H. Gikonyo	-	Director of Audit
Mr. J.E. Onyango	-	Assistant Director of Audit
Mr. B. K. Muli	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. S. Wainaina	-	Chief Economist
Mr. F.W. Kingori	-	Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector

MIN. NO.25/2001

EVIDENCE

Report and Accounts of Kenya Medical Research Institute for the year 1998/99 and Certificates thereon by the Auditor General (Corporations).

Mr. Davy Koech, Director Kenya Medical Research Institute (KEMRI) accompanied by Mr. D.M. Ngumo, Deputy Director and Mr. E. Muragi, Senior Principal Accountant, appeared before the Committee and gave evidence on the Accounts of the Institute for the year 1998/99.

MIN. NO.26/2001

DEFERRED EVIDENCE: PARAGRAPH 2 OF THE 1998/99 ACCOUNTS - PURCHASE OF RECONDITIONED VEHICLE KAL 935E

The Committee deferred taking evidence on the paragraph and resolved that Dr. J.A. Odhiambo, the Principal Investigator of the PCR Tuberculosis Kenya Project, who single-sourced and under-insured vehicle KAL 935E should appear before it on Friday 30th November, 2001. The officer will be required to explain why he single sourced the vehicle and under-insured it.

The Committee asked the office of the Auditor-General (Corporations) to certify the receipt of Kshs.591,000, being insurance claims in respect of Vehicle KAL 935E which had crashed.

The Chief Executive was directed to submit a certified audit report and a certificate thereof on the expenditure of the project by 9th December, 2001.

MIN.NO.27/2001

ANY OTHER BUSINESS

STAFF HOUSING PROJECT.

The Committee revisited the issue of KEMRI Staff Housing Project and urged the Chief Executive to expedite the finalisation of its discussion with the National Bank of Kenya and M/s Cyperr Enterprises with a view to securing the title.

The Committee resolved to summon the management of the National Bank of Kenya Ltd to update the Committee on the action taken to address the KEMRI Account and subsequent release of title deed to the Institute.

MIN. NO.28/2001 **PAPER LAID**

A copy of Quarterly Financial Report covering the 2nd Quarter 2001 in respect of PCR Tuberculosis Project was laid in the course of the above evidence.

MIN. NO.29/2001 **ADJOURNMENT**

The Chairman adjourned the Sitting at forty five minutes past Eleven O'clock until Friday November 30, 2001 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON FRIDAY, NOVEMBER 30, 2001 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.

ABSENT WITH APOLOGY

The Hon. Mwangi Kiunjuri, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. David Kombe, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. E.H. Gikonyo	-	Director of Audit
Mr. J.E. Onyango	-	Assistant Director of Audit
Mr. B. K. Muli	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. F.W. Kingori	-	Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector

MIN. NO.30/2001 **EVIDENCE**

Report and Accounts of Kenya Medical Research Institute for the year 1998/99 and Certificates thereon by the Auditor General (Corporations).

Dr. Davy Koech, Director Kenya Medical Research Institute (KEMRI) accompanied by Mr. D.M. Ngumo, Deputy Director; Mr. E. Muragi, Senior Principal Accountant; Dr. J. Odhiambo, Principal Research Officer; Mr. R. Marambii, Managing Director, National Bank of Kenya(NBK); Mr. G. Mutua, Chief Branch Manager, (NBK) Harambee Avenue; Ms Z.T. Mogaka, Manager, Legal Services and Mr. L.G. Kamweli, Company Secretary, (NBK) appeared before the Committee and gave evidence on the Accounts of the Institute for the year 1998/99.

MIN. NO.31/2001 **EVIDENCE**

The Committee took and completed evidence on the Accounts of the Institute for the year 1998/99.

MIN.NO.32/2001 **ANY OTHER BUSINESS**

STAFF HOUSING PROJECT.

The Committee deferred deliberations on the Staff Housing Project and resolved to summon the following along with the management of KEMRI in order to deliberate on the way forward towards settling the KEMRI Account and securing the title deeds:-

(i) National Bank of Kenya Ltd.
(ii) Cyperr Enterprises Ltd.
(iii) Receiver Manager of Cyperr Enterprises Ltd.
(iv) Debenture Holder of the property in question

The Committee further directed the management of National Bank of Kenya to:-

(i) prepare a brief on the way forward for settling the said Account. The brief should be submitted during the next appearance;
(ii) provide to the Committee Secretariat the names of directors of the Receiver Managers of Cyperr Enterprises Ltd and debenture holder; and

The Committee in addition directed the Chief Executive KEMRI to submit to the Auditor-General (Corporations)

documentary evidence that the money deposited with the lawyer by KEMRI is safe.

The Auditor-General (Corporations) was asked to confirm the position and report to the Committee by December 14, 2001.

MIN. NO.33/2001 **ADJOURNMENT**

The Chairman adjourned the Sitting at forty five minutes past Eleven O'clock until Friday December 07, 2001 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE TENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON FRIDAY, DECEMBER 07, 2001 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. David Kombe, M.P.

ABSENT WITH APOLOGY

The Hon. Abubakar M. Badawy, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. E.H. Gikonyo	-	Director of Audit
Mr. J.E. Onyango	-	Assistant Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.B. Kirimi	-	Chief Economist
Mr. P.C. Sigei	-	Assistant Secretary

MIN. NO.34/2001

EVIDENCE

Report and Accounts of National Water Conservation and Pipeline Corporations for the year 1997/98 & 1998/99 and Certificates thereon by the Auditor General (Corporations).

Eng. M.O. Ochieng, Managing Director, National Water Conservation and Pipeline Company accompanied by Messrs. S.M. Amuti, Chief Finance Manager; P.O.O. Musis, Chief Operating Manager; P.K. Kanyora, Chief Development Services Manager and Mutua Kilaka, Alternate Director, Ministry of Environment and Natural Resources appeared before the Committee and gave evidence on the Accounts of the Corporation for the years 1997/98 and 1998/99.

MIN. NO.35/2001

DEFERRED EVIDENCE: PARAGRAPH 1 OF THE 1997/98 ACCOUNTS - DEFICIT

The Committee deferred taking evidence on the paragraph and resolved that the Permanent Secretaries Ministries of Environment and Natural Resources, Energy and Finance and Planning appear along with the management of the Corporation to explain what steps the Government was taking to ensure affordability of water for all Kenyans especially in the light of high power tariffs and plan by the Corporation to revise water tariffs upwards.

MIN. NO.36/2001

DEFERRED EVIDENCE: PARAGRAPH 2 OF THE 1997/98 ACCOUNTS - WATER DEBTORS

The Committee resolved to raise with the Permanent Secretaries the issue of non-payment of water bills by some Government Ministries and Departments.

The Committee further directed the Chief Executive to submit an analysis on cost of treating and supplying water.

MIN. NO.37/2001

DEFERRED EVIDENCE: PARAGRAPH 3-11 OF THE 1997/98 & 1998/99 ACCOUNTS

The Committee deferred taking evidence on Paragraphs 3-11 of the 1997/98 and 1998/99 Accounts to a later date.

MIN. NO.38/2001 **PAPERS LAID**

The following paper were laid by the management of the Corporation in relation to Paragraph 2 of the 1997/98 Accounts:-

(i) Letter Ref.No.OP9/16/A/9 dated 7th November, 2001 from the Inspector of State Corporations to the Chief Executive of National Water Conservation and Pipeline Corporation on recovery of outstanding water bills.

(ii) Letter Ref. No.NWC/WO/FIN/41/(71) dated 19th November, 2001 replying the (i) above.

(iii) Analysis on revenue collection performance for the years 2000/2001 and 2001/2002.

MIN. NO.39/2001 **ADJOURNMENT**

The Chairman adjourned the Sitting at forty five minutes past One O'clock to a date to be decided upon later.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE ELEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON WEDNESDAY, DECEMBER 19, 2001 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY

The Hon. Abubakar M. Badawy, M.P.
The Hon. Ochilo Ayacko, M.P.
The Hon. Grace Mwewa, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mrs. Serah Kioko - Clerk Assistant III

MIN. NO.40/2001

SITTING PROGRAMME FOR JANUARY-FEBRUARY, 2002

The Committee deliberated on the Sitting programme and resolved as follows:-

(i) that the following corporations would appear first:-

(a) Kenya Railways Corporation
(b) Jomo Kenyatta University of Agriculture and Technology.
(c) Kenya Medical Research Institute.
(d) National Water Conservation and Pipeline Corporation.
(e) Kenya Agricultural Research Institute.
(f) Kenya Pipeline Company.
(g) Kenya Airports Authority.
(h) Postal Corporation of Kenya.
(i) Kenya Sugar Authority.
(j) Kenya Power and Lighting Company.
(k) National Cereals and Produce Board.

(ii) that all corporations to appear before the Committee would be clustered/grouped according to the nature of their operations so that those dealing with similar issues appear together.

The following categories were arrived at:-

(i) Sugar related.
(ii) Universities/Institutions of higher learning.
(iii) Corporations which are privatizing.
(iv) Research related.
(v) Regulatory related.
(vi) Strategic related.
(vii) Services related.
(viii) Tourism related.
(ix) Commercial Enterprises.

The Committee asked the Secretariat to obtain a list of all Corporations which are being privatized indicating the privatization status of each.

The Committee also resolved to be informing the public about its programme in order to make known to the public the Corporations scheduled to appear before it.

MIN. NO.41/2001 **ESTABLISHMENT OF SUB-COMMITTEE ON IMPLEMENTATION STATUS AND ACTION TAKEN REPORTS.**

The Committee resolved and established an Implementation Status and Action Taken Reports Sub-Committee whose function will be to monitor the implementation status and action taken by the Government on the Reports of the various past recommendations adopted by the House.

The following will be members of the Sub-Committee:-

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. John M. Katuku, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Ochilo Ayacko, M.P.

MIN. NO.42/2001

ADJOURNMENT

The Chairman adjourned the Sitting at thirty minutes past Eleven O'clock until Tuesday January 15, 2002 at 9.00 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE TWELFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON TUESDAY, JANUARY 15, 2002 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. David Kombe, M.P.

ABSENT WITH APOLOGY

The Hon. Mwangi Kiunjuri, M.P.
The Hon. Ali I. Shaaban, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)

MIN. NO.43/2002 **SITTING PROGRAMME FOR JANUARY, 2002**

The Committee adopted the Sitting programme for January 2002 with amendments and resolved as follows:-

(i) that, on 25th January, National Bank of Kenya would appear in order for the Committee to consider issues relating to the Corporation's assets and its bad debt status; and

(ii) that, on 30th January, 2002 the Committee would consider the accounts of Kenya Ports Authority for the year 1998/99.

Corporations scheduled to appear on 25th and 30th January were rescheduled to a later date.

MIN. NO.44/2002

ADJOURNMENT

The Chairman adjourned the Sitting at fifteen minutes past Eleven O'clock until Wednesday 16th January, 2002 at 10.00 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE THIRTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON WEDNESDAY, JANUARY 16, 2002 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. John M. Katuku, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. David Kombe, M.P.
The Hon. Ochilo Ayacko, M.P.
The Hon. Grace Mwewa, M.P.

ABSENT WITH APOLOGY

The Hon. Abubakar M. Badawy, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Mwangi Kiunjuri, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mrs. Serah Kioko - Clerk Assistant III

AUDITOR GENERAL (CORPORATIONS)

Mr. S.M. Maluki - Auditor General (Corporations)

MIN. NO.45/2002 **SITTING PROGRAMMEE FOR FEBRUARY, 2002**

The Committee adopted the Sitting Programme for February 2002 and resolved that the following Corporations should be included in the Programme for March, 2002 even though their Accounts had not been tabled:-

(i) National Hospital Insurance Fund
(ii) Kenya Petroleum Refineries Company
(iii) Kenya Medical Training College.

MIN.NO.46/2002 **ANY OTHER BUSINESS**

(i) **Overseas Visits**

The Committee resolved to pursue with the office of the Clerk the issue of undertaking visits outside the country as agreed upon earlier.

(ii) **Sub-committee on Implementation Status and Action-Taken-Reports.**

The Committee asked the Secretariat to prepare a draft Action-Taken-Report for the consideration by the Sub-committee when it convenes.

MIN. NO.47/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at twenty minutes past Eleven O'clock until Tuesday January 22, 2002.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE FOURTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON TUESDAY, JANUARY 22, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY

The Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. J.M. Kereda	-	Principal Auditor
Mr. J.K. Ongwen	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Programme Manager

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector of State Corporations.

MIN. NO.48/2002

EVIDENCE

Report and Accounts of Kenya Railways Corporation for the years 1997/98 and 1998/99 and

Certificates thereon by the Auditor General (Corporations).

Mr. A.A. Wanyande, Managing Director, Kenya Railways Corporation Accompanied by Mr. Sammy Kyungu, Permanent Secretary Ministry of Transport and Communication; Mr. N.O. Aloys, Chief Accountant; Mr. D. Cheruiyot, Principal Accountant; Mr. R. Washika, Assistant Accountant; Ms. R. Njonge, Under Secretary, Ministry of Transport and Communications and Ms M.N. Musonga, Senior Finance Officer Ministry of Transport and Communications appeared before the Committee and gave evidence on the accounts of the Corporation for the years 1997/98 and 1998/99.

MIN. NO.49/2002

ADDITIONAL EVIDENCE: PARAGRAPH 1 OF THE 1997/98 ACCOUNTS - FINANCIAL POSITION

The Committee directed the Chief Executive to submit the following information by January 30, 2002:-

(i) a list of all parcels of land to be disposed of by the Corporation indicating the value of each, and showing the number of parcels already sold and at what price;
(ii) obligations settled through the Kshs.1.4 billion realised through sell of land; and
(iii) original map of all pieces of land belonging to the corporation in 1990.

No (i) above should clearly indicate the LR.Nos of each parcel of land and their locations.

The Committee in addition asked the Permanent Secretary, Ministry of Transport and Communications to submit an update of the financial status of the Corporation, by January 31, 2002.

MIN.NO.50/2002

DEFERRED EVIDENCE: PARAGRAPH 2 OF THE 1997/98 ACCOUNTS - FIXED ASSETS

The Committee deferred taking evidence on the Paragraph in order to give the management of the Corporation in conjunction with the Auditor-General

(Corporations) time to reconcile the response to the audit query.

MIN. NO.51/2002 **DEFERRED EVIDENCE: PARAGRAPH 3 OF THE 1997/98 ACCOUNTS - IRREGULAR ALLOCATION OF LAND.**

The Committee resolved that the Commissioner of Lands should appear before the Committee along with the management of the Corporation at a later date to explain why his office irregularly allocated the Corporation's 2 parcels of land in Kisumu and the response he gave to the protest submitted to his office with a request for cancellation of the titles issued in respect of the two parcels of land.

The Committee also directed the Chief Executive to submit copies of title deeds of parcels of land belonging to the Corporation for which the Commissioner of Lands has issued title deeds to third parties, by January 30, 2002:-

The committee in addition directed the Chief Executive to issue a 3 months quite notice to the lady tenant at South B and submit a copy of the notice to the Committee and the office of the Auditor-General (Corporation). The quite notice should be issued with immediate effect.

The Committee resolved to inspect the South B parcel of land on April 26, 2002 by which time the lady tenant should have vacated the premises.

MIN. NO.52/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at forty minutes past Twelve O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Geoffrey M. Parpai, M.P.

The Hon. John M. Katuku, M.P.
The Hon. David Kombe, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Grace Mwewa, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. J.M. Kereda	-	Principal Auditor
Mr. J.K. Ongwen	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Programme Manager

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector of State Corporations.

MIN. NO.53/2002

EVIDENCE

Report and Accounts of Kenya Railways Corporation for the year 1997/98 and 1998/99 and Certificates thereon by the Auditor General (Corporations).

Mr. A.A. Wanyande accompanied by his team re-appeared before the Committee and gave evidence on the Accounts of the Corporation for the years 1997/98 and 1998/99.

MIN. NO.54/2002

ADDITIONAL EVIDENCE: PARAGRAPH 4 OF THE 1997/98 ACCOUNTS - WORK-IN-PROGRESS

The Committee directed the Chief Executive to submit documents to justify the expenditure of Kshs.3,3328,747 in respect of Work-In-Progress which could neither be supported nor tied to any specific sanctioned estimates.

MIN. NO.55/2002

DEFERRED EVIDENCE: PARAGRAPH 5 OF THE 1997/98 ACCOUNTS - DEBTORS.

The Committee deferred taking evidence on the paragraph and directed the Chief Executive to submit an appropriate response to the audit query.

The Committee, in addition, directed the Chief Executive to submit the following information by January 30, 2002:-

(i) a breakdown of all customers who constitute the Traffic Account indicating how much each customer owes;
(ii) a breakdown on the land sale proceeds indicating names individuals who have not paid for land they purchased from the Corporation. Where buyers are companies names of the directors should be provided; and
(iii) evidence on the action the Corporation is taking to ensure that Magadi Soda Company pays the Corporation what it owes it.

MIN.NO.56/2002

ADDITIONAL INFORMATION: PARAGRAPH 8 OF THE 1997/98 ACCOUNTS - STAFF PENSION FUND

The Committee directed the Chief Executive to submit a schedule of the property to be transferred to the Staff Pension Fund showing the value and location of each property.

Valuation certificates of each property should be attached. The schedule should also indicate how much income is generated from each property.

The Committee further resolved to raise with the Permanent Secretary Ministry of Transport and

Communication the issue of transfer of some of the Corporations assets to the Staff Pension Fund.

MIN. NO.57/2002 **DEFERRED EVIDENCE: 1998/99 ACCOUNTS**

The Committee deferred taking evidence on the 1998/99 Accounts to a later date.

MIN. NO.58/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at forty five minutes past Four O'clock until Wednesday January 23, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE FIFTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON WEDNESDAY, JANUARY 23, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. Grace Mwewa, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. E.H. Gikonyo	-	Director of Audit
Mr. T.O. Oketch	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. D.A. Ongati	-	Senior Accountant
Mr. K. Khasiani	-	Senior Principal Finance Officer

INSPECTORATE OF STATE CORPORATIONS

Ms. T.K. Gichana	-	Assistant Inspector of State Corporations.

MIN. NO.59/2002 **EVIDENCE**

Report and Accounts of Jomo Kenyatta University of Agriculture and Technology for the years 1997/98

and 1998/99 and Certificates thereon by the Auditor General (Corporations).

Prof. R. Michieka, Vice-Chancellor, Jomo Kenyatta University of Agriculture and Technology accompanied by Prof. S.G. Agong, Deputy Vice-Chancellor, Administration, Planning and Development; Prof. S.K. Sinei, Deputy Vice-Chancellor, Research, Production and Extension; Prof. H.M. Thairu, Deputy Vice-Chancellor, Academic Affairs; Prof. M.O. Imbuga, Dean, Faculty of Science; Prof. F.K. Lenga, Dean, Faculty of Agriculture; Dr. P.N. Kiomi, Dean, Faculty of Engineering; Mr. A.S. Wachira, Finance Officer; Mr. R.A. Indimuli, Accountant; Mr. J.M. Wekesa, Chief Finance Officer, Ministry of Education and Human Resource Development; Mr. C.K. Thuku, Assistant Director of Education; and Mr. S.K. Mwaita, Commissioner of Lands appeared before the Committee and gave evidence on the Accounts of the University for the years 1997/98 and 1998/99.

MIN. NO.60/2002

DEFERRED EVIDENCE: 1997/98 & 1998/99 ACCOUNTS

The Committee deferred taking evidence on the 1997/98 and 1998/99 Accounts to a later date.

The Committee in addition resolved that the following people should appear at a later date along with the management of the University to respond to issues related to the 300 acres of land purchased by the University from H.E. Mama Ngina Kenyatta.

(i) the then Head of the Public Service in whose office, the land title was allegedly lost;
(ii) the Principal Registrar of Titles Mr. E.N. Gicheka to explain who instructed him to draw the transfer from H.E. Mama Ngina Kenyatta to the University and the basis of his drawing the transfer;
(iii) the Administrators of Jomo Kenyatta Estate, Mrs. Mama Ngina Kenyatta and Mrs. Cristina Wambui Pritt;
(iv) the then Provincial Commissioner Central Province (at the time when H.E. the late Mzee

Jomo Kenyatta gave the land in question to the University).

(v) Mr. F.O.A. Omuya, who drew the original transfer to the University to explain exact acreage of the land transferred.

The Committee in addition directed the Commissioner of Lands to submit the following documents:-

(i) all correspondence related to the transfer of the land from his H.E. Mzee Jomo Kenyatta to the University i.e.

(a) original documents to justify the ownership of the land in question by the Kenyatta family.
(b) letter written by the then Provincial Commissioner on the transfer of the land to JKUAT.
(c) the original title drawn on 29th August, 1972.

MIN.NO.61/2002 **PAPERS LAID**

The following paper was laid by the Commissioner of Lands in relation to Paragraph 2 of the 1997/98 Accounts:-
Letter Ref. No.86527137 dated 22nd January, 2001.

MIN. NO.62/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at thirty minutes past Eleven O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. John M. Katuku, M.P.
The Hon. David Kombe, M.P.
The Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY

The Hon. Grace Mwewa, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.H. Gikonyo	-	Director of Audit
Mr. J. Onyango	-	Assistant Director of Audit
Mr. C. Amadi	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. T. Muriithi	-	Senior Economist
Ms. J. Wesonga	-	Senior Auditor

MIN. NO.63/2002

EVIDENCE

Report and Accounts of Sugar Authority and Sugar Development Fund for the year 1998/99 and Certificates thereon by the Auditor General (Corporations).

Mr. D. Mule, Ag. Chief Executive, Kenya Sugar Authority accompanied by Mr. A.U. Amulyoto, Head of Finance; Ms. R. Mkoko, Company Secretary; Mr. J.G. Chege, Deputy Head of Finance and Mr. A.M. Gakere, Deputy Secretary, Ministry of Agriculture and Rural Development appeared before the Committee and gave evidence on the Accounts of the Authority for the year 1998/99.

MIN. NO.64/2002

DEFERRED EVIDENCE: PARAGRAPH 1 OF THE 1998/99 ACCOUNTS (SUGAR DEVELOPMENT) - TISSUE CULTURE PROGRAMME

The Committee deferred taking evidence on the Paragraph and resolved that the following people should appear in relation with the paragraph along with the management of the Authority at a later date:-

(i) Mr. F. M. Chahonyo, former Chief Executive Kenya Sugar Authority; and

(ii) Representatives of KARI who were involved in the research programme for the production of seed cane through tissue culture micropropagation. Mr. Chahonyo will be required to explain why the Authority decided to vary the arrangement of spreading the purchase of plantlets over a period of five years and further why Kshs.140,125,000 was incurred instead of the approved Kshs.35,000,000 for purchase of 1 million plantlets.

The Committee in addition directed the Chief Executive to submit documents authorizing the over-expenditure on plantlets during the year under review.

MIN. NO.65/2002

DEFERRED EVIDENCE: PARAGRAPH 2 OF THE 1998/99 ACCOUNTS (SUGAR DEVELOPMENT FUND) - LOANS TO COMPANIES

The Committee deferred taking evidence on the paragraph and resolved that then Chief Executive Mr. F. Chahonyo along with the management appear at a later date in relation to the paragraph.

The committee further directed the Chief Executive to submit the following information by 30th January, 2002:-

(i) details of debt collection from Sugar Companies and outgrowers; and

(ii) details of rehabilitation work done at West Kenya and Busia Sugar Companies.

MIN.NO.66/2002

DEFERRED EVIDENCE: PARAGRAPH 3 OF THE 1998/99 ACCOUNTS (SUGAR DEVELOPMENT FUND) - LEGAL FEES

The Committee deferred taking evidence on the paragraph and resolved that the then Chief Executive Mr. F. Chahonyo appear at a later date along with the management of the Corporation in relation to the paragraph.

The Committee further directed the Chief Executive to submit, to the Auditor-General (Corporations) the following information:-

(i) Names of the Lawyers who were paid legal fees;
(ii) What work was done and amount of money paid in fees.

MIN. NO.67/2002

ADJOURNMENT

The Chairman adjourned the Sitting at thirty minutes past Four O'clock until Thursday January 24, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE SIXTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON THURSDAY, JANUARY 24, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.

ABSENT WITH APOLOGY

The Hon. Abubakar M. Badawy, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. P.K. Muasya	-	Director of Audit
Mr. H.O Wanyama	-	Assistant Director of Audit
Mr. S.K. Mbuko	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. A.E. Gutu	-	Principal Economist
Mr. S.M. Karehu	-	Chief Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector of State Corporations.
Mr. R.O Onyuna	-	Senior Economist

MIN. NO.68/2002 **EVIDENCE**

Report and Accounts of Kenya Agricultural Research Institute for the years 1997/98 and 1998/99 and Certificates thereon by the Auditor General (Corporations).

Dr. R. Kiome, Director Kenya Agricultural Research Institute accompanied by Mr. T.K. Njagi, Deputy Director; Mr. J. Wendaba, Chief Accountant and Mr. J.K. Gichuhi, Chief Finance Officer appeared before the Committee and gave evidence on the accounts of the Corporation for the years 1997/98 and 1998/99.

MIN. NO.69/2002 **ADDITIONAL INFORMATION: PARAGRAPH 1 OF THE 1997/98 ACCOUNTS - FINANCIAL POSITION**

The Committee directed the Chief Executive to submit the following information by January 30, 2002:-

(i) a breakdown of the budget of the institute for the 1997/98 year;
(ii) a breakdown of the grant of Kshs.1,097,050,000 indicating what was from GOK and what was from donors;
(iii) a breakdown of what constituted casual wages out of the item on personal emoluments in 1997;
(iv) a breakdown of the item on training for the year 1997 and 1998; and
(v) evidence that the institute was remitting statutory deductions.

MIN.NO.70/2002 **ADDITIONAL INFORMATION: PARAGRAPH 2 OF THE 1997/98 ACCOUNTS - OWNERSHIP OF LAND AND BUILDINGS**

The Committee directed the Chief Executive to take urgent measures towards obtaining letters of allotment, surveying and obtaining title deeds for all its parcels of land and report back to the Committee by 15th March, 2002.

The committee also directed the Chief Executive to submit the Report on the Institute's land, which was presented to the Njonjo Commission.

MIN. NO.71/2002

ISSUE TO RAISE WITH THE 'BIG FIVE'

The Committee resolved to raise with the 'Big Five' the issue of non-issuance of title deeds for land belonging to various Parastatals and State Corporations.

MIN. NO.72/2002

ADJOURNMENT

The Chairman adjourned the Sitting at thirty minutes past Twelve O'clock until Friday January 25, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi. M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February. 2002

DATE .....

MINUTES OF THE SEVENTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON FRIDAY, FRIDAY 25, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.

ABSENT WITH APOLOGY

The Hon. Abubakar M. Badawy, M.P.
The Hon. John M. Katuku, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. P.C. Sigei	-	Senior Economist

INSPECTORATE OF STATE CORPORATIONS

Mr. R.E. Ndubai	-	Principal Assistant Inspector of State Corporations.
Ms. J. Wesonga	-	Senior Auditor.

MIN. NO.73/2002 **EVIDENCE**

The Accounts of National Bank of Kenya.

Mr. R. Marambii, Managing Director, National Bank of Kenya accompanied by Mr. Mutitu, Chief Credit Manager; Mr. F. Wanganju, Chief Finance Manager and Mr. L. Kamweti, Company Secretary appeared before the Committee in relation to the Accounts of the Bank.

MIN. NO.74/2002 **DEFERRED EVIDENCE: PARAGRAPH 1 OF THE 1997/98 ACCOUNTS - FINANCIAL POSITION**

The Committee deferred taking evidence on the Accounts of the Bank to a later date and resolved that the management of the Bank should appear at a later date in relation to the following issues:-

(i) General Financial performance of the Bank;
(ii) Bad debts portfolio and measures put in place to recover non-performing loans and advances; and
(iii) Injection of additional capital to improve the Bank's liquidity level.

MIN. NO.75/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at twenty minutes past Eleven O'clock until Tuesday January 29, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE EIGHTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON TUESDAY, JANUARY 29, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.

ABSENT WITH APOLOGY

The Hon. Abubakar M. Badawy, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. M. Maluki	-	Auditor-General (Corporations)
Mr. P.K. Muasya	-	Director of Audit
Mr. G.O Osaho	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J. Okech	-	Alternate Director
Mr. S.M. Karehu	-	Chief Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. R.E. Ndubai	-	Principal Assistant Inspector of State Corporations.
Ms. T. Gichana	-	Assistant Inspector of State Corporations.

MIN. NO.76/2002

EVIDENCE

Report and Accounts of Kenya Airports Authority for the years 1996/97-1998/99 and Certificates thereon by the Auditor General (Corporations).

Mr. M.S. Muriithi, Managing Director, Kenya Airports Authority accompanied by Mrs. J. Ongera, Deputy Managing Director; Mr. J. Mutua, General Manager Finance; Mr. M. Mukwana, General Manager Engineering Services; Mr. L.N.K. Moss, General Manager, Personnel and Administration; Mr. B.M. Mwangi, Alternate Director (Office of the President) appeared before the Committee and gave evidence on the Accounts of the Authority for the years 1996/97 - 1998/99

MIN. NO.77/2002

DEFERRED EVIDENCE: SURVEY OF AIRPORTS PARAGRAPH 2 OF THE 1996/97 ACCOUNTS.

The Committee deferred taking evidence on the Paragraph and resolved that the following people should appear at a later date in connection with the paragraph.

(i) The then Managing Director Mr. Peter Lagat;
(ii) The Engineer, Mr. Edward Mwasi;
(iii) The Estate Manager Mr. Bernard Kavivya;
(iv) The Commissioner of Lands; and
(v) The Valuers, (GIMCO Valuers).

The Committee further directed the management to provide the following information by 15th February, 2002:-

(i) Valuation reports; list of items valued and the fee notes;
(ii) Part Development Plan of the reserved land and list of allottees of the land carved out measuring 972.36 hectares;
(iii) A detailed response to the audit querry; and
(iv) The import of the Legal Notice No.201 of the 7th June, 1994 in the vesting of land to the Authority.

MIN. NO.78/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at thirty minutes past Twelve O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. John M. Katuku, M.P.
The Hon. David Kombe, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Grace Mwewa, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. P.K. Muasya	-	Director of Audit
Mr. G.O. Osaho	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J. Oketch	-	Alternate Director.

INSPECTORATE OF STATE CORPORATIONS

Ms. T. Gichana - Assistant Inspector of State Corporations.

MIN. NO.79/2002 **EVIDENCE**

Report and Accounts of Kenya Airports Authority for the years 1996/97 - 1998/99 and Certificates thereon by the Auditor General (Corporations).

Mr. M.S. Muriithi, Managing Director, Kenya Airports Authority accompanied by his team and Mr. H.M. Nyagoye re-appeared before the Committee and gave further evidence on the Accounts of the Corporation for the years 1996/97 - 1998/99.

MIN. NO.80/2002 **DEFERRED EVIDENCE: PARAGRAPH 3 OF THE 1996/97 ACCOUNTS - CONTRACTS**

The Committee deferred taking evidence on the Paragraph until Thursday January 31, 2002 at 2.30 p.m. and directed the Managing Director to submit the following information by the same date:-

(i) all documents related to the award of various contracts such as certificates of Registration of contractors and names of their directors;
(ii) minutes of tender prequalification analysis;
(iii) all names of the twelve (12) contractors who were prequalified for the contract to repair the leaking cargo terminal; and
(iv) appropriate responses to all audit queries as raised by the Auditor-General (Corporations).

The Committee in addition resolved to conduct an inspection tour of the rehabilitated toilet facilities and leaking cargo terminal at J.K.I.A. on Thursday, January 31, 2002 at 2.30 p.m..

The Committee will also inspect the equipment from Belgium, on the same date.

MIN. NO.81/2002 **DEFERRED EVIDENCE: PARAGRAPH 4-8 OF THE 1996/97, 1997/98 AND 1998/99 ACCOUNTS**

The Committee deferred taking evidence on the Paragraphs 4-8 of the 1996/97 Accounts and 1997/98 and 1998/99 Accounts to Thursday, January 31, 2002 at 2.30 p.m.

MIN.NO.82/2002 **PAPER LAID**

The following Papers were laid by the management of Kenya Airports Authority in relation to Paragraph 3 of the 1996/97 Accounts:-

(i) Internal Memo from the General Manager Engineering to the Managing Director dated 3rd December, 1996 in relation to the repairs of leaking cargo terminal;
(ii) Prequalification Advert for the tender for repairs of leaking cargo Terminal;
(iii) Tender/Quotation Register for the water proofing leaking cargo terminal; and
(iv) Min No.9/2/97 on the contract for water proofing leaking cargo terminal.

MIN. NO.83/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at thirty minutes past Five O'clock until Wednesday January 30, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE NINENTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON WEDNESDAY, JANUARY 30, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. Grace Mwewa, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S. M. Maluki	-	Auditor-General (Corporations)
Mr. P.K. Muasya	-	Director of Audit
Mr. F. Mwasella	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Ms. E. Koimet	-	Investment Secretary
Mr. F. Kingori	-	Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Ms. T.K. Gichana	-	Assistant Inspector of State Corporations.
Mr. N. Mwingirwa	-	Deputy Chief Economist

MIN. NO.84/2002 **EVIDENCE**

Report and Accounts of Kenya Ports Authority for the year 1998/99 and Certificates thereon by the Auditor General (Corporations).

Mr. B.M.M. Ondego, Managing Director, Kenya Ports Authority accompanied by Mr. Sammy Kyungu, Permanent Secretary, Ministry of Transport and Communications; Mr. G. Dulu, Corporation Secretary; Mr. J.M. Mulewa, Finance Controller; Eng. A.M. Samatar, Chief Civil Engineer; Mr. J.O. Lukiri, Financial Accountant; Mr. S.P. Ndemo, Deputy Secretary, Ministry of Transport and Communications and Mr. M.N. Musoma, Senior Principal Finance Officer, Ministry of Transport and Communications appeared before the Committee and gave evidence on the Accounts of the Authority for the year 1998/99.

MIN. NO.85/2002 **PRIVATIZATION OF KENYA PORTS AUTHORITY**

The Committee directed the Chief Executive to ensure that the privatization exercise is not carried out before and until the relevant statutes are considered by Parliament.

MIN. NO.86/2002 **DEFERRED EVIDENCE: PARAGRAPH 1 OF THE 1998/99 ACCOUNTS - EXTENSION AND REFURBISHMENT OF KIPEVU HEADQUATERS.**

The Committee deferred taking evidence on the paragraph and resolved that the following people should appear along with the management of Kenya Ports Authority at a later date in relation to the paragraph:-

(i) the then Chief Executive, Hon. S.M. Mkalla, M.P.
(ii) the then Chief Civil Engineer, Eng.E.O. Njiru;
(iii) the lead consultant; and
(iv) other consultants involved in the project.

The Committee also directed the Chief Executive to submit the following information by Thursday January 31, 2002:-

(i) memo No.88 of 1994;
(ii) minutes of the Board Sitting where the Board noted with concern the deterioration of buildings housing Kenya Ports Authority Headquarters and all records on the conceptualization of the project; and
(iii) records on the stoppage of extension and refurbishment of Kipevu Headquarters project stating reasons for stoppage.

MIN. NO.87/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at fifty-five minutes past Twelve O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. John M. Katuku, M.P.
The Hon. David Kombe, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Grace Mwewa, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. P.K. Muasya	-	Director of Audit
Mr. F. Mwasella	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. F. Kingori - Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Ms. T. Gichana - Assistant Inspector of State Corporations.

Mr. N. Mwingirwa - Deputy Chief Economist.

MIN. NO.88/2002 **EVIDENCE**

Report and Accounts of Kenya Ports Authority for the years 1996/97 - 1998/99 and Certificates thereon by the Auditor General (Corporations).

Mr. B.M.M. Ondego, Managing Director, Kenya Ports Authority accompanied by his team and Mr. H.M. Nyagoye re-appeared before the Committee and gave further evidence on the Accounts of the Corporation for the year 1998/99.

MIN. NO.89/2002 **ADDITIONAL INFORMATION: PARAGRAPH 2 OF THE 1998/99 ACCOUNTS - FIXED ASSETS**

The Committee directed the Chief Executive to submit the following information by February 28, 2002:-

(i) list of all parcels of land belonging to the Authority which had been given to third parties;
(ii) evidence that the Authority had sought a second legal opinion to ascertain whether the Authority had sufficient basis for suing for its land allocated to third parties;
(iii) evidence that the Authority acquired vesting orders for all its parcels of land;
(iv) evidence that the Authority had initiated legal charges for what could be salvaged.

MIN. NO.90/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at fifty minutes past Four O'clock until Thursday January 31, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE TWENTIETH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON THURSDAY, JANUARY 31, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. E.H. Gikonyo	-	Director of Audit
Mr. J.E. Onyago	-	Assistant Director of Audit
Mr. C.U. Amadi	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J. Kirimi	-	Chief Economist
Mr. F. Kingori	-	Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Ms. T. Gichana	-	Assistant Inspector of State Corporations

MIN. NO.91/2002

EVIDENCE

Report and Accounts of National Water Conservation and Pipeline Corporation for the years 1997/98 and 1998/99 and Certificates thereon by the Auditor General (Corporations).

Eng. M.O. Ochieng, Managing Director, National Water Conservation and Pipeline Corporation accompanied by Amb. F. Muthaura, Permanent Secretary, Ministry of Environment and Natural Resources; Mr. Mutua Kilaka, Deputy Secretary, Ministry of Environment and Natural Resources ; Mr. S. Amuti, Chief Finance Manager; Mr. P. Musis, Ag. Chief Operations Manager; Mr. P.K. Kanyora, Ag. Chief Development Services Manager; Mr. Nyagito, Senior Economist and Mr. C.M. Mimano, Deputy Director Water Development appeared before the Committee and gave evidence on the Accounts of the Corporation for the years 1997/98 and 1998/99.

MIN. NO.92/2002

DEFERRED EVIDENCE: PARAGRAPH 1 OF THE 1997/98 ACCOUNTS - DEFICIT

The Committee deferred taking evidence on the paragraph and resolved that the following Permanent Secretaries appear before it at a later date along with the management of the Corporation to explain what steps the government was taking to ensure affordability of water by Kenyans in the light of high power tariffs and plan by the Corporation to revise water tariffs upwards:-

(i) Permanent Secretary, Environment and Natural Resources;
(ii) Permanent Secretary, Ministry of Finance and Planning; and
(iii) Permanent Secretary, Ministry of Energy.

MIN.NO.93/2002

DEFERRED EVIDENCE: PARAGRAPH 2 OF THE 1997/98 ACCOUNTS - WATER DEBTORS

The Committee deferred taking evidence on the paragraph and resolved that the following Permanent Secretaries should appear before it at a later date along with the management of the Corporation:-

(i) Permanent Secretary, Ministry of Local Government to explain why some Local Authorities were owing the Corporation very huge water debts;
(ii) Permanent Secretary, Ministry of Finance and Planning to explain whether sufficient budgetary allocations were provided to the various Ministries for meeting water expenses; and
(iii) Permanent Secretary, Environment and Natural Resources.

The Committee further directed the Chief Executive to submit the following information:-

(i) List of defaulters in water payment who had been taken to court.

MIN. NO.94/2002 **ISSUE TO RAISE WITH THE 'BIG FIVE'**

The Committee resolved to raise with the 'Big Five' the issue of ensuring affordability of water by Kenyans.

MIN. NO.95/2002 **ADDITIONAL INFORMATION: PARAGRAPH 3 OF THE 1997/98 ACCOUNTS - OTHER BEBTORS.**

The Committee directed the Chief Executive to submit the following information:-

(i) Fee note submitted by lawyers in relation to the suit over the recovery of the Kshs.370,000 from tenderer who issued bouncing cheques to the Corporation;
(ii) Evidence that there was Board approval for staff to acquire vehicles (tendered for and awarded to them) on credit;
(iii) Evidence that the Kshs.1,908,000 was recovered in full;
(iv) Names of the individuals who acquired the vehicles.

MIN. NO.96/2002 **ADDITIONAL INFORMATION: PARAGRAPH 3 OF THE 1997/98 ACCOUNTS - OTHER BEBTORS.**

The Committee directed the Chief Executive to submit a list of all parcels of land belonging to the Corporation

stating the status of each and indicating those which had been encroached on and showing what action the Corporation was taking to seek redress.

Where encroachers are companies the names of their directors must be provided.

MIN. NO.97/2002 **PAPERS LAID**

The following papers were laid by the Chief Executive, in relation to paragraphs 2 and 5 of the 1997/98 Accounts:-

(i) Letter Ref.No.OP.9/161/A dated 7th December, 2002 addressed to various Permanent Secretaries on outstanding water bills by the ministries (in relation to paragraph 2 of the 1997/98 Accounts.)

(ii) Tittle documents for various parcels of land belonging to the Corporation (in relation to paragraph 5 of the 1997/98 Accounts.)

MIN. NO.98/2002 **DEFERRED EVIDENCE: 1998/99 ACCOUNTS.**

The Committee deferred taking evidence on the 1998/99 Accounts to a later date.

MIN. NO.99/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at One O'clock until this Afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT

The Hon. Abubakar M. Badawy, M.P.
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. David Kombe, M.P.

ABSENT WITH APOLOGY

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Grace Mwewa, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. Ali I. Shaaban, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. P.K. Muasya	-	Director of Audit
Mr. G. Osaho	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J. Okech	-	Alternate Director.

MIN. NO.100/2002

EVIDENCE

Report and Accounts of Kenya Airports Authority for the year 1996/97 & 1998/99 and Certificates thereon by the Auditor General (Corporations).

Mr. M.S. Muriithi, Managing Director, Kenya Airports Authority accompanied by Mrs. J. Ong'era, Deputy Managing Director; Mr. M. Mukwana, General Manager Engineering; Mr. J. Mutua, General Manager Finance, Mr. Nyamu, General Manager Marketing; Mr. L. Moss, General Manager, Personnel and Administration; Mr. S. Gichuki, General Manager Operation Services; Mr. F. Mbugua, Deputy General Manager Engineering; Mr. J. Yator, Deputy General Manager, Jomo Kenyatta International Airport; Mr. S.W. Awora, Airport Engineer; Mr. E.K. Mathu, Senior Manager Personnel and Administration; Mr. C.K. Yaa, Architect; Mr. K. Karanja, Personal Assistant to the Managing Director; Mr. T. Makori, Procurement Officer and Mr. D.M. Mwangi, Alternate Director appeared before the Committee and

gave evidence on the Accounts of the Authority for the years 1996/97-1998/99.

MIN. NO.101/2002 **INSPECTION TOUR AT JOMO KENYATTA INTERNATIONAL AIRPORT**

The Committee inspected the rehabilitated toilet facilities and terminal at J.K.I.A and resolved that the Auditor-General (Corporations) in conjunction with specialists from the Ministry of Roads and Public Works should conduct a further inspection with a view to assessing whether there was over expenditure in the rehabilitation exercise.

MIN. NO.102/2002 **DEFERRED EVIDENCE: PARAGRAPH 3 OF THE 1996/97 ACCOUNTS -CONTRACTS.**

The Committee deferred taking evidence on the paragraph and directed the Chief Executive to submit the following information by February 15, 2002:-

(i) names of the twelve (12) contractors who were prequalified for the water proofing leaking terminal contractors. Where they are companies, names of their directors must be provided.

(ii) tender Registers showing the names of the 8 tender bidders and receipts paid for collecting tender documents.

(iii) certificates of Registration of 12 contractors referred to in (i) above indicating whether they are registered with the Ministry of Roads and Public Works and in which category.

The Committee further resolved that the four officers who formed the tender opening committee must be in attendance when the Authority next appears before the Committee.

MIN. NO.103/2002 **DEFERRED EVIDENCE: PARAGRAPH 4-8 OF THE 1996/97 AND 1997/98 - 1998/99 ACCOUNTS**

The Committee deferred taking evidence on Paragraphs 4-8 of the 1996/97 Accounts and the 1997/98 and 1998/99 Accounts to a later date.

MIN. NO.104/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at twenty minutes past Four O'clock until Friday February 01, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE TWENTY-FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON FRIDAY, FEBRUARY 01, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY

The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. H.O Wanyama	-	Assistant Director of Audit
Mr. S.K. Mbuko	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector of State Corporations.
Mr. M. Ntogira	-	Deputy Chief Economist

MIN. NO.105/2002 **EVIDENCE**

Report and Accounts of Kenya Bureau of Standards for the year 1995/96 and Certificate thereon by the Auditor General (Corporations).

Mrs. M.C. Rotich, Managing Director, Kenya Bureau of Standards accompanied by Mr. J.W. Nabiswa, Ag. Financial Controller and Eng. J. Masila, Director of Industries appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1995/96.

MIN. NO.106/2002 **ADDITIONAL INFORMATION: PARAGRAPH 2 OF THE 1995/96 ACCOUNTS - STALLED RADIATION LABORATORIES IN NAIROBI**

The Committee directed the Ministries of Finance and Planning and Trade and Industry and the Chief Executive to submit a write up, by February 28, 2002, on the action being taken by the Government to clear the pending Bills amounting to Kshs.49,000,000.

MIN. NO.107/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at fifty minutes past Eleven O'clock until Tuesday February 05, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE TWENTY-SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON WEDNESDAY, FEBRUARY 05, 2002 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.
The Hon. David Kombe, M.P.
The Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. H.O. Wanyama	-	Assistant Director of Audit
Mr. R.M. Bichanga	-	Principal Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. S.M. Karehu	-	Chief Economist
Mr. J.O. Nyajure	-	Principal Data M. Supervisor

INSPECTORATE OF STATE CORPORATIONS

Mr. N. Mwingirwa	-	Deputy Chief Economist

MIN. NO.108/2002

EVIDENCE

Report and Accounts of Communications Commission of Kenya for the year 1999/2000 and

Certificates thereon by the Auditor General (Corporations).

Mr. S.K. Chepkonga, Managing Director, Communications Commission of Kenya accompanied by Mr. J.Omo, Commission Secretary, Mr. H. Oluoch, Deputy Secretary, Ministry of Transport and Communications; Ms. M.N. Musoma, Senior Principal Finance Officer; Mr. E.M. Guantai, Deputy Secretary, Ministry of Information and Tourism and Mr. F. Mugo appeared before the Committee and gave evidence on the Accounts of the Commission for the year 1999/2000.

MIN. NO.109/2002

DEFERRED EVIDENCE: PARAGRAPH 1 OF THE 1999/2000 ACCOUNTS - KAREN PLOTS LR NO. 12445 AND 12550

The Committee deferred taking evidence on the paragraph and resolved that the following people should appear before it at a later date along with the management of the Commission in relation to the paragraph:-

(i) the Commissioner of Police; and
(ii) The Chairperson advocates Complaints Commission to explain what steps it had taken towards investigating M/s Kirundi and Co. for professional misconduct and why no disciplinary action had been taken on him.

MIN. NO.110/2002

DEFERRED EVIDENCE: PARAGRAPH 2 OF THE 1999/20000 ACCOUNTS - FIXED ASSETS

The Committee deferred taking evidence on the paragraph and resolved that the following persons along with the management of the Commission should appear at a later date in relation to the paragraph:-

(i) the then property manager of KP&TC who dealt with the alleged transfer of land to KP&TC; and
(ii) M/s Tysons Valuers;

The Committee in addition directed the Chief Executive to provide the following information by February 15, 2002.

(i) evidence of who was registered as leasee on March 01, 1996;
(ii) official search from the Registrar of Societies as to who I and I is;
(iii) a copy of search on the parcel of land Matumbato Rd/209/8737/3, Upper Hill;
(iv) Tyson's valuation report;
(v) Original file on the parcel of land; and
(vi) Copy of the report made to the Police on the alleged loss of the original title.

MIN. NO.111/2002 **ANY OTHER BUSINESS**

1. Construction of CCK's New Headquarters

The Committee directed the Chief Executive to submit the following information by February 15, 2002:-

(i) contract document relating to Pan African Builders who are the company awarded the contract to construct the Headquarters;
(ii) names of the directors of the company; and
(iii) an explanation on what the prequalification exercise for the companies which tendered for the contract was based on.

MIN. NO.112/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at ten minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Grace Mwewa, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. John M. Katuku, M.P.

ABSENT WITH APOLOGY

The Hon. Ochilo Ayacko, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. David Kombe, M.P.
The Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. P.K. Muasya	-	Director of Audit
Mr. D. Mwanyumba	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary

INSPECTORATE OF STATE CORPORATIONS

Ms. T. Gichana	-	Assistant Inspector

MIN. NO.113/2002 **EVIDENCE**

Report and Accounts of Electricity Regulatory Board for the year 1999/2000 and Certificates thereon by the Auditor General (Corporations).

Mrs. C. Kola, Board Secretary Electricity Regulatory Board accompanied by Mr. E. Opiayo, Financial Controller and Mr. S.N. Wagitu, Senior Principal Finance Officer, Ministry of Energy appeared before the Committee and gave evidence on the Accounts of the Authority for the year 1999/2000

MIN. NO.114/2002

DEFERRED EVIDENCE: PARAGRAPH 1 OF THE 1999/2000 ACCOUNTS - IRREGULAR PAYMENT OF SALARY AND ALLOWANCES TO THE BOARD CHAIRMAN

The Committee deferred taking evidence on the Paragraph and directed that the following people should appear at a later date along with the management of the Board in relation to the paragraph;

(i) the then Board Chairman Mr. Moses Wetangula;
(ii) the then Board Secretary Ms. P. Mwilu;
(iii) the Permanent Secretary, Ministry of Energy (in person);
(iv) the Commissioner of Income Tax;
(v) the Attorney General to provide legal interpretation of the Electric Power Act; and
(vi) the current Chairman of the Board.

MIN. NO.115/2002

DEFERRED EVIDENCE: PARAGRAPHS 2-5 OF THE 1999/2000 ACCOUNTS.

The Committee deferred taking evidence on paragraph 2-5 of the 1999/2000 Accounts to a later date.

MIN. NO.116/2002

ADJOURNMENT

The Chairman adjourned the Sitting at fifty minutes past Four O'clock until Wednesday February 05, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE TWENTY-THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON THURSDAY, FEBRUARY 06, 2002 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ocnilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. David Kombe, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.
The Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. E.H. Gikonyo	-	Director of Audit
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. R.M. Bichanga	-	Principal Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. D.A. Ongati	-	Senior Accountant
Mr. L.C. Kollum	-	Principal Finance Officer

INSPECTORATE OF STATE CORPORATIONS

Ms. T.K. Gichana	-	Assistant Inspector

MIN. NO.117/2002 **EVIDENCE**

Report and Accounts of Nyayo Tea Zones Development Corporation for the year 1994/95 - 1999/2000 and Certificates thereon by the Auditor General (Corporations).

Mr. J.A. Sang, Managing Director, Nyayo Tea Zones Development Corporation accompanies by Mr. D. Malila, Financial Controller and Mr. D. Obwayo, Chief Internal Auditor appeared before the Committee and gave evidence on the Accounts of the Commission for the year 1994/95 - 1999/2000.

MIN. NO.118/2002 **ADDITIONAL EVIDENCE: PARAGRAPH 2 OF THE 1994/95 ACCOUNTS - ESTABLISHMENT COST OF KSHS.287,233,021**

The Committee directed the Chief Executive to submit documentary evidence that all tea zones are within Government gazetted areas and not Local Authorities.

MIN. NO.119/2002 **ADDITIONAL INFORMATION: PARAGRAPH 4 OF THE 1994/95 ACCOUNTS - UNSUPPORTED EXPENDITURE**

The Committee directed the Chief Executive to submit a write-up on the steps being taken by the Corporation to assist investigators in the case of the unsupported expenditure of Kshs.7,907,601.

MIN. NO.120/2002 **ADDITIONAL INFORMATION: PARAGRAPH 7 OF THE 1995/96 ACCOUNTS - CASH AND BANK BALANCES**

The Committee directed the Chief Executive to submit to the Auditor-General (Corporations) all the required information to enable him reconcile the difference of Kshs.127,650.

MIN. NO.121/2002 **DEFERRED EVIDENCE: 1995/96-1999/2000 ACCOUNTS**

The Committee deferred taking evidence on the 1996/97 Accounts to a later date.

MIN. NO.122/2002 **PAPERS LAID**

The following paper was laid by the Chief Executive NTZDC in relation to paragraph 4 of the 1994/95 Accounts:-

Memo Ref.No.AC/12/18 VOL II/32 dated 1st February, 2001.

MIN. NO.123/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at five minutes past Twelve O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. J.B.N. Muturi, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Ochilo Ayacko, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. David Kombe, M.P.
The Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY

The Hon. Grace Mwewa, M.P.
The Hon. Geoffrey M. Parpai, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. P.K. Muasya	-	Director of Audit
Mr. D. Mwanyumba	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mrs. E. Koimet	-	Investment Secretary
Mr. L.C. Kollum	-	Principal Finance Office
Mr. F.W. Kingori	-	Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. N. Mwingirwa	-	Deputy Chief Economist

MIN. NO.124/2002 **EVIDENCE**

Report and Accounts of Agricultural Finance Corporation for the year 1997/98 and Certificates thereon by the Auditor General (Corporations).

Mr. Gideon Toroitich, Managing Director, Agricultural Finance Corporation accompanied by Prof. S.E. Migot-Adholla, Permanent Secretary Ministry of Agriculture and Rural Development; Ms M. Onyango, Financial Controller; Ms. R. Otima, Technical Services Manager; Mr. K.W.C. Tallam, Personnel and Administration Manager; Mr. H.A. Shikokoti, and Mr. M. Matema, Corporation Secretary appeared before the Committee and gave evidence on the Accounts of the Corporation for the year, 1997/98.

MIN. NO.125/2002 **ADDITIONAL INFORMATION: PARAGRAPH 1 OF THE 1997/98 ACCOUNTS - OPERATIONAL PERFORMANCE**

The Committee directed the Permanent Secretary, Ministry of Agriculture and Rural Development and the Permanent Secretary Ministry of Finance and Planning to submit a brief by 15th March, 2002 on the progress being made by the Government towards restructuring the Corporation.

MIN. NO.126/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at thirty minutes past Four O'clock until Thursday February 07, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE TWENTY-FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON THURSDAY, FEBRUARY 07, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.H. Gikonyo	-	Director of Audit
Mr. J. E. Onyango	-	Assistant Director of Audit
Mr. B.K. Muli	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. S. Wainaina	-	Chief Economist
Ms. L. Gitundu	-	Accountant I

INSPECTORATE OF STATE CORPORATIONS

Mr. N. Mwingirwa	-	Deputy Economist

MIN. NO.127/2002 **EVIDENCE**

Report and Accounts of Kenyatta National Hospital for the year 1998/99 and Certificates thereon by the Auditor General (Corporations).

Dr. H. W. Waweru, Director Kenyatta National Hospital accompanied by Mr. G.H. Wekesa, Deputy Director/Administration Services; Mr. N.G. Omambia, Hospital Engineer; Mr. M. Oluoch, Planning Manager; Ms. A. Kinduga, Chief Accountant: Mr. J. Mwenda, Chief Legal Officer; Mr. H. Gichuru, Suppliers and Procurement Manager; Mr. R. Muriithi, Chief Internal Auditor; Mr. D. Methu, Finance Manager and Ms. A. Njiru, Chief Finance Manager, Ministry of Health appeared before the Committee and gave evidence on the Accounts of the Hospital for the year 1998/99.

MIN.NO.128/2002 **DEFERRED EVIDENCE: PARAGRAPH 1 OF THE 1998/99 ACCOUNTS - SHORT-TERM INVESTMENTS**

The Committee deferred taking evidence on the Paragraph and resolved that the following people should appear at a later date along with the management of KNH in relation to the paragraph:-

(i) the directors of Euro Bank;
(ii) a representative of Central Bank;
(iii) the Permanent Secretary Ministry of Finance and Planning; and
(iv) the Permanent Secretary Ministry of Health.

MIN. NO.129/2002 **PAPER LAID**

The Chief Executive, laid the following paper in relation to paragraph 1 of the 1998/99 Accounts:-

Schedule of investments in various banks as at January 31, 2002.

MIN. NO.130/2002

ADDITIONAL INFORMATION: PARAGRAPH 2 OF THE 1998/99 ACCOUNTS - DEBTORS

The Committee directed the Chief Executive to submit the specifications of the bottle corking machines and the embalming machine as drawn in 1991 and all other records related to the equipment.

MIN. NO.131/2002

ADDITIONAL INFORMATION: PARAGRAPH 5 OF THE 1998/99 ACCOUNTS - IRREGULAR AWARD OF CONTRACT (KSHS.383,800,000

The Committee deferred taking evidence on the paragraph and resolved that the following people should appear at a later date along with the management of the Hospital in relation to the paragraph:-

(i) the then Chief Executive Dr. A.K. Muita;
(ii) the Board Chairman, Hon. John Cheruiyot; and
(iii) the then Chairman Tender Committee Mr. P. Ngatia.

The Committee further directed the Chief Executive to submit the following information:-

(i) explanation as to why no authority was sought from the Parent Ministry and Treasury to award the contract through selective tendering;
(ii) names of the 10 firms who were selected for tendering and names of their Directors and their addresses;
(iii) name of the individual who did the selection;
(iv) names of the officers who formed the tender opening committee;
(v) evidence that the Board of management was advised against making advance payment of Kshs.57,570,000 to the contractor who was awarded the contract; and
(vi) minutes of Board meeting where the advice against the payment of the Kshs.57,570,000 to the contractor was made.

MIN. NO.132/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at thirty minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. John M. Katuku, M.P.
The Hon. David Kombe, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Ali I. Shaaban, M.P.

ABSENT WITH APOLOGY

The Hon. Grace Mwewa, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. P.K. Muasya	-	Director of Audit
Mr. H.E. Wanyama	-	Assistant Director of Audit
Mrs. J.K. Mbaabu	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mrs. S. Kuria	-	Executive Officer.
Mr. M. Lush	-	Public Relations Officer.

INSPECTORATE OF STATE CORPORATIONS

Mr. T. Muriithi	-	Senior Economist

MIN. NO.133/2002 **EVIDENCE**

Report and Accounts of Kenya Broadcasting Corporation for the year 1998/99 and Certificates thereon by the Auditor General (Corporations).

Mr. Joe Khamisi, Managing Director, Kenya Broadcasting Corporation accompanied by Mr. B. Ikonze, Finance Manager; Mr. W. Ikapel, Corporation Secretary; Mr. M. Muthambi, Chief Accountant and Mr. E.M. Guantai, Deputy Secretary appeared before the Committee and gave evidence on the Accounts of the Corporation for the year 1998/99.

MIN. NO.134/2002 **ADDITIONAL INFORMATION: PARAGRAPH 2 OF THE 1998/99 ACCOUNTS - FIXED ASSETS REGISTER AND TITLE DOCUMENTS**

The Committee directed the Chief Executive to urgently undertake to acquire tittle documents for all its parcels of land belonging to the Corporation and submit a report on the progress made by March 15, 2002.

The Committee further directed that the Commissioner of Lands should provide all the necessary assistance to the Corporation, in its bid to acquire the tittle documents.

MIN. NO.135/2002 **PAPERS LAID:**

The following papers were laid by the Chief Executive:-

(i) Letter Ref.No.CON/LH/A/1/12/1/25 in relation to paragraph 2 of the 10\998/99 Accounts.

(ii) Schedule of debtors as at 30th June, 1999 in relation to paragraph 3 of the 1998/99 Accounts.

MIN.NO.136/2002 **ADDITIONAL INFORMATION: PARAGRAPH 3 OF THE 1998/99 ACCOUNTS - OUTSTANDING DEBTORS**

The Committee directed the Chief Executive to initiate legal action with a view to recovering the Kshs.184,536,941 being debts that had been outstanding for more than one year.

MIN.NO.137/2002 **ADDITIONAL INFORMATION: PARAGRAPH 4 OF THE 1998/99 ACCOUNTS - LOSS OF KSHS.10,310,474 THROUGH FRAUD**

The Committee directed the Chief Executive to submit the following information:-

(i) record of sales for TV and Radio permits from 1997 to-date;
(ii) a write up on the action taken on the people involved in the loss of Kshs.10,310,474 indicating what offence each person committed; and
(iii) basis upon which recovery was effected on the dues of the said people.

MIN. NO.138/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at thirty minutes past Five O'clock until Friday February 08, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE TWENTY-FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON FRIDAY, FEBRUARY 08, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY

The Hon. Grace Mwewa, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Ali I. Shaaban, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. E.H. Gikonyo	-	Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. F. Kingori	-	Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. N. Mwingirwa	-	Deputy Chief Economist

MIN. NO.139/2002 **EVIDENCE**

Kenya Seed Company.

Mr. Nathaniel Tum, Managing Director, Kenya Seed Company accompanied by Mr. Z.K. Cheruiyot, Company Secretary and Mr. D.J.M. Mwasaga, Deputy Secretary, Ministry of Agriculture and Rural Development appeared before the Committee in relation to the Accounts of the Company for the years 1994/95-1997/98.

MIN. NO.140/2002 **ADDITIONAL INFORMATION**

The Committee directed the Chief Executive to submit the following information by February 15, 2002:-

(i) A copy of the Memorandum of Understanding between Kenya Seed Company and Kenya Agricultural Research Institute relating to seed production;
(ii) Records of royalties so far paid to Kenya Agricultural Research Institute;
(iii) A list of all parcels of land and plots owned by the company indicating their sizes, location, LR. No.s and showing the status of each. Those with/without title documents must also be shown.
(iv) A list of all the assets owned by the Company.
(v) A comprehensive report on the privatization exercise;
(vi) The Company's audited accounts for the years 1998/99 - 2000/2001; and
(vii) A list of the Company's assets that have been disposed of.

MIN.NO.141/2002 **ANY OTHER BUSINESS**

Disclosure of Evidence to the Print Media

The Chairman expressed concern that in the recent past, evidence received by the Committee had been published in two local dailies namely the *East African Standard* and the *Daily Nation*. He, then, cautioned the Committee against divulging information received as evidence to the media because this contravened the provisions of Standing order No.161 which the committee is supposed to abide by.

MIN. NO.142/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at fifteen minutes past Twelve O'clock until Tuesday February 12, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE TWENTY-SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON TUESDAY, FEBRUARY 12, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.

ABSENT WITH APOLOGY

The Hon. Sayyid M. Amin, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. J.B.N. Muturi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Deputy Auditor General (Corporations)
Mr. D.W.K. Mwanyumba	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. L.C. Kollum	-	Principal Finance Officer
Mr. S.M. Karehu	-	Chief Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. N. Mwingirwa	-	Deputy Chief Economist

MIN. NO.143/2002

EVIDENCE

Report and Accounts of Agricultural Development Corporation for the year 1996/97 thereon by the Auditor General (Corporations).

Mr. J.K. Siror, Managing Director, Agricultural Development Corporation accompanied by Mr. D.J. Mwasoga, Deputy Secretary, Ministry of Agriculture; Mr. K.J. Mbugua, Financial Controller and Ms. J.D. Otieno, Corporation Secretary appeared before the Committee and gave evidence on the accounts of the Corporation for the year 1996/97.

MIN. NO.144/2002

EVIDENCE: KENYA SEED COMPANY SHARE OFFER

The Committee directed the Chief Executive to submit a list of the proposed new share subscribers in Kenya Seed Company.

The Committee also directed the representative of the Parent Ministry to submit a brief on the proceedings of the meeting of the Board of management of Kenya Seed Company scheduled to take place on 18th February, 2002.

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MIN.NO.145/2002

ADDITIONAL INFORMATION: PARAGRAPH 5 OF THE 1996/97 ACCOUNTS - ADVANCES TO GARISSA PROJECT, KSHS.20,342,000

The Committee directed the Chief Executive to submit a write-up by March 15, 2002 on what the Corporation intended to do with the Garissa Farm Project.

MIN. NO.146/2002

ADDITIONAL INFORMATION: PARAGRAPH 6 OF THE 1996/97 ACCOUNTS - LOAN REPAYMENTS

The Committee directed the Chief Executive to submit the following information by this Afternoon at 2.30 p.m.: -

(i) No. of cattle bought using the Kshs.75,000,000 and at what cost;-
(ii) No. of cattle that died out of the cattle bought; and
(iii) No of cattle sold out and at what price.

MIN. NO.147/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at fifty five minutes past Twelve O'clock until this afternoon at 2.30.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. John M. Katuku, M.P.
The Hon. David Kombe, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. J.B.N. Muturi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor General (Corporations)
Mr. P.K. Muasya	-	Director of Audit
Mr. D.W.K. Mwanyumba	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. L.C. Kollum	-	Principal Finance Officer
Mr. S.M. Karehu	-	Chief Economist

INSPECTORATE OF STATE CORPORATIONS

Mr. N. Mwingirwa - Deputy Chief Economist

MIN. NO.148/2002

EVIDENCE

Report and Accounts of Agricultural Development Corporation for the year 1996/97 and Certificates thereon by the Auditor General (Corporations).

Mr. J.K. Siror, Managing Director, Agricultural Development Corporation accompanied by his team re-appeared before the Committee and gave further evidence on the Accounts of the Corporation for the year 1996/97.

MIN. NO.149/2002

DEFERRED EVIDENCE: PARAGRAPH 3 OF THE 1996/97 ACCOUNTS - DEBTORS

The Committee deferred taking evidence on the Paragraph and resolved that the following people along with the management of the Corporation should appear at a later date in connection with the paragraph:-

(i) the Technical Manager, Livestock Dr. Mutai;
(ii) the Technical Manager, Operations Mr. Ndenda; and
(iii) the former Financial Controller Mrs. J. Okanga.

The Committee further directed the Chief Executive to submit a copy of the Fax referred to in the letter Ref.No.MD/58/C/WKK June 25, 1996.

MIN. NO.150/2002

DEFERRED EVIDENCE: PARAGRAPH 1 OF THE 1996/97 ACCOUNTS - (LANDS LIMITED) - OPERATING RESULTS

The Committee directed the Chief Executive to submit the following information by February 28, 2002:-

(i) Background on the formation of the Lands Limited; and
(ii) A list of allottees who have not paid for land they acquired from the Corporation indicating what each owed.

MIN.NO.151/2002

ADDITIONAL INFORMATION: PARAGRAPH 2 OF THE 1996/97 ACCOUNTS (LANDS LIMITED) - DEBTORS

The Committee directed the Chief Executive to submit the following information by February 15, 2002:-

(i) Search documents pertaining to the motor vehicles purchased by former staff of the Corporation using loans;
(ii) Copies of letters to be written to the loanees requiring them to explain how they were renewing their driving licences without having Log Books;
(iii) A schedule indicating how much each loanee was owed by the Corporation as benefits;
(iv) photocopies of the loan agreements in respect of car and house loan agreements;
(v) Explanation on whether the vehicles purchased were comprehensively covered or not; and
(vi) Copy of fee not in respect of the case against Walter Karani.

MIN.NO.152/2002

ADDITIONAL INFORMATION: PARAGRAPH 3 OF THE 1996/97 ACCOUNTS (LANDS LIMITED) - TRANSFER OF ADC FARMS TO SETTLEMENT FUND TRUSTEES

The Committee directed the Chief Executive to submit the following information by February 28, 2002:-

A list of the beneficiaries of the farms allocated to the landless valued at Kshs.395,154,500; their acreage and the amount each beneficiary paid; how much the Government paid for each beneficiary and what is outstanding in each case.

MIN.NO.153/2002

DEFERRED EVIDENCE

The Committee deferred taking evidence on the Accounts of Kulalu Ranch and Garissa Irrigation Project to a later date.

MIN. NO.154/2002

ADJOURNMENT

The Chairman adjourned the Sitting at twenty minutes past Six O'clock until Wednesday February 13, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE TWENTY-SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON WEDNESDAY, FEBRUARY 13, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY

The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. J.B.N. Muturi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. J.E. Onyango	-	Assistant Director of Audit
Mr. C.N. Nyanyuki	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary

INSPECTORATE OF STATE CORPORATIONS

Ms. T. Gichana	-	Assistant Inspector of State Corporations.

MIN. NO.155/2002

EVIDENCE

Report and Accounts of Nzoia Sugar Company for the years 1994/95-1996/97 and the Certificate thereon by the Auditor General (Corporations).

Mr. J.P. Romera, General Manager, Nzoia Sugar Company accompanied by Mr. F.S. Wanyonyi, Company Secretary; Mr. M.D. Mackenzie, Finance Manager; Mr. A.M. Gakere, Deputy Secretary, Ministry of Agriculture and Rural Development; Mr. D.J. Mwasaga, Deputy Secretary, Ministry of Agriculture and Rural Development and Mr. W.O. Mbaka, Finance Officer Ministry of Agriculture and Rural Development appeared before the Committee and gave evidence on the Accounts of the Company for the year 1994/95.

MIN. NO.156/2002

PAPER LAID

The following paper was laid by the Chief Executive, Nzoia Sugar Company in relation to paragraph 3 of the 1994/95 Accounts:-

Copy of the proceedings of Criminal case No. 1349 of 1996 in Kakamega.

MIN.NO.157/2002

DEFERRED EVIDENCE: PARAGRAPH 3-8 OF THE 1995/96 ACCOUNTS AND THE 1996/97 ACCOUNTS.

The Committee deferred taking evidence on paragraphs 3-8 of the 1995/96 and the 1996/97 Accounts to Thursday March 07, 2002 at 9.30 a.m.

The Committee further resolved that the Corporation should appear both in the morning and afternoon on the date it is scheduled to re-appear.

MIN.NO.158/2002

ADDITIONAL INFORMATION: PARAGRAPH 1 OF THE 1995/96 ACCOUNTS - GOING CONCERN

The Committee directed the Chief Executive to submit:-

(i) the correct figures of Bonus gained in the last three years, i.e. 1998/99, 1999/2001 and

2001/2002 following the appointment of F.C. Schaffer, as Managing Consultants;

(ii) curriculum vitae of the members of the Technical Management Team currently managing the Company.

(iii) Tabulation on improvement on sugar production and cane in the field, from the time the Technical Management Team was contracted.

(iv) An analysis on reduction of the Company's debts to farmers indicating how much had been repaid and what was outstanding.

(v) Statement on the profit and loss account.

(vi) A brief on the general performance of the Company.

The information should be submitted by February 24, 2002.

MIN. NO.159/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at fifty minutes past Twelve O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY

The Hon. J.B.N. Muturi, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. David Kombe, M.P.

IN ATTENDANCE **NATIONAL ASSEMBLY**

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. P.K. Muasya	-	Director of Audit
Mr. D. Mwanyumba	-	Principal Auditor
Mr. G. Mukuah	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Ms. L. Gitundu	-	Accountant I

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector of State Corporations

MIN. NO.160/2002

EVIDENCE

Report and Accounts of Kenya Tourist Board for the year 1998/1999 and Certificates thereon by the Auditor General (Corporations).

Mrs. Beatrice Buyu, Managing Director, Kenya Tourist Board accompanied by Mr. James Kilonzo, Finance Manager; Mrs. M.M. Byama, Alternate Director to the Permanent Secretary Treasury; Mrs. Julie Njeru, Product Development Manager; Mr. Clement Mwaliama, Director of Tourism and Mr. S. Okungu, Assistant Director of Tourism appeared before the Committee and gave evidence on the Accounts of the Board for the year 1998/99.

MIN. NO.161/2002

ADDITIONAL INFORMATION: PARAGRAPH 2 OF THE 1998/99 ACCOUNTS - FINANCIAL POSITION

The Committee directed the Chief Executive to submit the approved budget of the Board for the year 1998/99.

MIN. NO.162/2002

ADDITIONAL INFORMATION: PARAGRAPH 3 OF THE 1998/99 ACCOUNTS - IRREGULAR PROCUREMENT OF MARKETING SERVICES.

The Committee directed the Chief Executive to submit the proposal presented to the board of management of the Board to contract M/s Representation Plus to market Kenya abroad.

MIN. NO.163/2002

ADJOURNMENT

The Chairman adjourned the Sitting at forty five minutes past Four O'clock until Thursday February 14, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE TWENTY-EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON THURSDAY, FEBRUARY 14, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. J.B.N. Muturi, M.P.

ABSENT WITH APOLOGY

The Hon. Sayyid M. Amin, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. John M. Katuku, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Deputy Auditor General (Corporations)
Mr. D.W.K. Mwanyumba	-	Principal Auditor
Mr. G. Mukuah	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mrs. S. Kuria	-	Executive Officer

INSPECTORATE OF STATE CORPORATIONS

Mr. J.M. Otenyo	-	Inspector of State Corporations
Mr. E.N. Ngigi	-	Principal Assistant Inspector of State

MIN. NO.164/2002 **EVIDENCE**

Report and Accounts of Kenya Wildlife Service for the year 1999/2000 and Certificate thereon by the Auditor General (Corporations).

Mr. J. Kioko, Ag. Director, Kenya Wildlife Service accompanied by Mr. R. Lesiyampe, Ag. Deputy Director; Mr. S. Tom, Chief Land Surveyor; Mr. P. Mtange, Financial Controller; Mr. J. Kagiri, Assistant Director Community; Ms. M. Thiongo, Donor Liaison Officer and Mrs. M.M. Byama, Alternate Trustee to the Permanent Secretary Ministry of Finance and Planning appeared before the Committee in relation to the Accounts of the Service for the year 1999/2000.

MIN. NO.165/2002 **POSTPONEMENT OF EVIDENCE**

The Committee postponed taking evidence on the 1999/2000 Accounts to a later date owing to the non-appointment of a substantive Chief Executive of the service.

The Committee then, directed that the Parent Ministry should as a matter of urgency, ensure that a substantive Chief Executive of the Service is appointed.

The Committee was also concerned that the Inspector of State Corporation Mr. J. Otenyo was playing a dual role as Inspector and Alternate Director to the Permanent Secretary, Secretary to the Cabinet and Head of Public Service.

The Committee observed that as Inspector of State Corporations Mr. J. Otenyo could not at the same time be an Alternate Director since this would mean inspecting the very institution of which he was part.

The Committee, therefore, directed the Parent Ministry to immediately revoke the appointment of Mr. J. Otenyo as Alternate Director and in his place appoint another person in order to enable Mr. Otenyo to appropriately perform his duties as the Inspector of State Corporations.

MIN. NO.166/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at Eleven O'clock until this afternoon at 2.30.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Mwangi Kiunjuri, M.P.
The Hon. John M. Katuku, M.P.
The Hon. David Kombe, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. J.B.N. Muturi, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Ochilo Ayacko, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor General (Corporations)
Mr. H.O. Wanyama	-	Assistant Director of Audit
Mrs. J.K. Mbaabu	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.B. Kirimi	-	Chief Economist
Mr. F.W. Kingori	-	Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi - Principal Assistant Inspector of State Corporations

MIN. NO.167/2002

EVIDENCE

Report and Accounts of National Housing Corporation for the years 1997/98 and 1998/99 and Certificates thereon by the Auditor General (Corporations).

Mr. D.M. Rimber, Managing Director, National Housing Corporation accompanied by Mrs. E.W. Mbugua, Corporation Secretary; Mr. A.N. Njaga, Ag. Chief Accountant; Mr. W.T. Makutha, Chief Engineer; Mr. L.M. Ongonge and Mr. P.O. Sika, Ministry of Roads and Public Works appeared before the Committee and gave evidence on the Accounts of the Corporation for the years 1997/98 and 1998/99.

MIN. NO.168/2002

ADDITIONAL INFORMATION: PARAGRAPH 1 OF THE 1997/98 ACCOUNTS - FINANCIAL POSITION.

The Committee directed the Chief Executive to submit the following information by 28th February, 2002:-

(i) A write-up explaining how the losses in relation to the various projects arose and steps the Corporation was taking to guard against making further loses and to ensure the Corporation engages in prudent commercial practices.

(ii) The status of the plot LR.No.209/11395.

MIN. NO.169/2002

DEFERRED EVIDENCE: PARAGRAPH 5-7 of the 1997/98 ACCOUNTS AND THE 1998/99 ACCOUNTS

The Committee deferred taking on paragraph 5-7 of the 1997/98 Accounts and the 1998/99 Accounts to a later date.

MIN. NO.170/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at twenty five minutes past Five O'clock until Friday February 15, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE TWENTY-NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON FRIDAY, FEBRUARY 15, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Abubakar M. Badawy, M.P.
The Hon. John M. Katuku, M.P.
The Hon. David Kombe, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Ochilo Ayacko, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. J.K. Mukhooli	-	Deputy Director of Audit
Mr. J.J. Gaya	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. N.W. Kimani	-	Alternate Director
Mr. D.A. Ongati	-	Senior Accountant

INSPECTORATE OF STATE CORPORATIONS

Ms. T. Gichana	-	Assistant Inspector of State Corporations

MIN. NO.171/2002 **EVIDENCE**

Report and Accounts of Kenya National Trading Corporation of Kenya for the years 1996/97 - 1998/99 and the Certificate thereon by the Auditor General (Corporations).

Mr. W. Shimanyula, Managing Director, Kenya National Trading Corporation accompanied by Mr. E.M.S. Mukhebi, Internal Audit Manager; Mr. S.K. Siwei, Ag. Chief Accountant and Mr. R. Kuecu, ICDC Accountant appeared before the Committee in relation to the Accounts of the Corporation for the years 1996 - 1998/99.

MIN. NO.172/2002 **POSTPONEMENT OF EVIDENCE**

The Committee postponed taking evidence on the Accounts of the Kenya National Trading Corporation for the years 1996/97 - 1998/99 to a later date owing to the non-attendance of a representative of the Ministry of Trade and Industry and the non-appointment of a substantive Chief Executive for the Corporation.

The Committee consequently resolved that the Permanent Secretary, Ministry of Trade and Industry and the Permanent Secretary, Office of the President (In-charge of State Corporations) should appear before the Committee at a later date, along with the management of the Corporation to explain why a substantive Chief Executive of the Corporation had not been appointed.

The Permanent Secretary, Ministry of Trade and Industry will in addition be required to explain why the Ministry failed to send a representative to attend the Sitting of today.

MIN. NO.173/2002 **ANY OTHER BUSINESS**

1. **Kenya Seed Company.**

The Committee resolved that the Permanent Secretary Ministry of Agriculture and Rural Development; the Permanent Secretary Office of the President (In-charge of State Corporations) and the Investments Secretary

along with the management of Kenya Seed Company should appear before the Committee at a later date to respond to issues related to the Company's share offer.

The Committee further resolved that the Chief Executive of the Company must submit minutes of the Special Annual General Meeting of the Company scheduled to take place on 18th February, 2002 and a list of all its share subscribers.

MIN. NO.174/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at five minutes past Eleven O'clock until Tuesday February 19, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE THIRTIETH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON TUESDAY, FEBRUARY 19, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY

The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. J.K.Mukhooli	-	Deputy Director of Audit
Mr. R.N. Bichanga	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. S. Kitungu	-	Principal Economist

INSPECTORATE OF STATE CORPORATIONS

Mr. J.M. Otenyo	-	Inspector of State Corporations.
Ms. T. Gichana	-	Assistant Inspector of State Corporations.

MIN. NO.175/2002 **EVIDENCE**

Report and Accounts of Kenya National Examinations Council for the years 1998/99 and 1999/2000 and the Certificates thereon by the Auditor General (Corporations).

Mr. J.M. Mwachihi, Chief Executive, Kenya National Examinations Council accompanied by Mr. I.W. Gicheru, Deputy Secretary; Mr. A.S. Abdullahi, Deputy Secretary; Mr. G.C. Omondi, Chief Accountant (Revenue); Mr. S. Butayi, Chief Accountant (Expenditure) and Mr. J. Wekesa, Ministry of Education appeared before the Committee and gave evidence on the accounts of the Council for the years 1998/99 and 1999/2000.

MIN. NO.176/2002 **ADDITIONAL INFORMATION: PARAGRAPH 1 OF THE 1998/99 ACCOUNTS - WORK IN PROGRESS (NEW MITIHANI HOUSE)**

The Committee directed the Ministry of Education, Treasury and the management of the Council to convene a meeting to discuss the way forward on settling the pending bills and completing the stalled project.

The outcome of the meeting should be reported to the Committee by March 15, 2002.

MIN.NO.177/2002 **ADDITIONAL INFORMATION: PARAGRAPH 2 OF THE 1998/99 ACCOUNTS - MINISTRY OF EDUCATION DEBT KSHS.1,467,292**

The Committee directed the Ministry of Education to address the issue of settling the debt of Kshs.1,467,292 and report back to the Committee on February 20,2002.

MIN. NO.178/2002 **ADDITIONAL INFORMATION: PARAGRAPH I OF THE 1999/2000 ACCOUNTS - WORK IN PROGRESS MITIHANI HOUSE PROJECT**

The Committee directed the Ministry of Education, Treasury and the management of the Council to convene a meeting to discuss the way forward on

settling the pending bills and completing the stalled project.

The outcome of the meeting should be reported to the Committee by March 15, 2002.

The Committee further directed the Chief Executive to submit information on the effects of escalation of costs on the stalled project stating the amount of loss incurred so far.

He should also submit information on the status of the project.

MIN. NO.179/2002 **EVIDENCE**

The Committee took and completed evidence on the 1998/99 and 1999/2000 Accounts.

MIN. NO.180/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at thirty minutes past Eleven O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY

The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE **NATIONAL ASSEMBLY**

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. P.K. Muasya	-	Director of Audit
Mr. H.O. Wanyama	-	Assistant Director of Audit
Mr. R.N. Bichanga	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mrs. S.A. Agoye	-	Senior Principal Finance Officer
Mrs. S. Kuria	-	Executive Officer

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector of State Corporations
Mr. P.E. Ochieng	-	Senior Economist

MIN. NO.181/2002 **EVIDENCE**

Report and Accounts of National Museums of Kenya for the years 1997/98 and 1998/99 and the Certificates thereon by the Auditor General (Corporations).

Dr. G. Abungu, Director General, National Museums of Kenya accompanied by Mrs. B. Musundi, Permanent Secretary, Ministry of Home Affairs, Heritage and Sports; Mrs. F. Wanyange, Chief Administrative Officer; Mrs. J. Kyake, Legal Officer and Mr. Z. Otieno, Cartographer appeared before the Committee and gave evidence on the Accounts of the Museums for the years 1997/98 and 1998/99.

MIN. NO.182/2002 **ADDITIONAL INFORMATION: PARAGRAPH 1 OF THE 1998/99 ACCOUNTS - LEGALLY CONTITUTED BOARD**

The Committee directed the Chief Executive to submit information on the expenses incurred by the Board, whose term had expired, in terms of sitting allowance,

travelling allowance and or any other allowances incurred by the said Board.

The information should be submitted by March 15, 2002.

MIN. NO.183/2002 **ANY OTHER BUSINESS**

Management Audit Inspection on the National Museums of Kenya

The Committee directed the Permanent Secretary Ministry of Home Affairs, Heritage and Sports to submit the report on the management audit inspection and the fate of the four senior officers sent on compulsory leave.

The report should be submitted on February 20, 2002.

MIN.NO.184/2002 **ISSUES TO RAISE WITH THE 'BIG FIVE'**

The Committee resolved to raise the following issues with the 'Big Five' :-

(i) the fate of the four officers of the National Museums who were sent on compulsory leave and have neither been sacked nor re-instated.

(ii) non-appointment of Board members upon expiry of terms of the sitting Boards of State Corporations.

MIN. NO.185/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at thirty minutes past Four O'clock until Wednesday February 21, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE THIRTY-FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON WEDNESDAY, FEBRUATY 20, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Grace Mwewa, M.P.

ABSENT WITH APOLOGY

The Hon. Abubakar M. Badawy, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Geoffrey M. Parpai, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. P.K. Muasya	-	Director of Audit
Mr. H.O Wanyama	-	Assistant Director of Audit
Mr. J.J. Ng'ang'a	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. F. King'ori	-	Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. N. Mwingirwa	-	Deputy Chief Economist

MIN. NO.186/2002

EVIDENCE

Report and Accounts of Kenya Sisal Board for the year 1996/97 and Certificate thereon by the Auditor General (Corporations).

Mr. S. Mukuna, Managing Director Kenya Sisal Board accompanied by Mr. C.B. Omonya, Board Accountant; Mr. D.J.M. Mwasaga, Deputy Secretary, Ministry of Agriculture and Rural Development and Mr. S.M. Kambogo, Ministry of Finance and Planning appeared before the Committee and gave evidence on the Accounts of the Board for the year 1996/97.

MIN. NO.187/2002

ADDITIONAL INFORMATION: PARAGRAPH 1 OF THE 1996/97 ACCOUNTS - FIXED ASSETS

The Committee directed the Chief Executive to submit evidence that Kenya Broadcasting Corporation (KBC) paid the debt of Kshs.120,000 being development fee chargeable to the Corporation which had to be paid before the Board's stand was sold to KBC.

MIN.NO.188/2002

ADDITIONAL INFORMATION: PARAGRAPH 2 OF THE 1996/97 ACCOUNTS - DEBTORS AND PREPAYMENTS

The Committee directed the Chief Executive to submit copies of the loan agreement in respect of the advances made to the Managing Director.

The Committee in addition directed the representative of the Parent Ministry to submit a report on the action the Ministry was taking on the Chief Executive for violating the laid down Government financial regulations.

The information should be submitted by 6th March, 2002.

MIN. NO.1892002

ADDITIONAL INFORMATION: PARRAGRAPH 3 OF THE 1996/97 ACCOUNTS - CONSTRUCTION CONTRACT

The Committee directed the Chief Executive to submit the following information by March 15, 2002:-

(i) original documents submitted by the firms that bid for the reconstruction of the Board's Godown.

(ii) Copy of the advert to invite tenders.

MIN. NO.190/2002 **EVIDENCE**

The Committee took and completed evidence on the 1996/97 accounts

MIN. NO.191/2002 **EVIDENCE**

Report and Accounts of Kenya National Examinations Council for the years 1998/99 and 1999/2000 and the Certificates thereon by the Auditor-General (Corporation).

Mr. J. Wekesa, Alternate Director to the Permanent Secretary Ministry of Education, Science and Technology appeared before the Committee in relation to the Accounts of the Council for the years 1998/99 and 1999/2000.

MIN. NO.192/2002 **EVIDENCE: PARRAGRAPH 2 OF THE 1998/99 ACCOUNTS - MINISTRY OF EDUCATION DEBT KSHS.1,467,292.**

Mr. J. Wekesa informed the Committee that the Kshs.1,467,292 had been provided for in the Revised Recurrent Estimates for the year 2001/2002 and that the debt would be settled once the Estimates are approved by Parliament.

MIN. NO.193/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at Twelve O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. J.B.N. Muturi, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Ochilo Ayacko, M.P.
The Hon. Ali I. Shaaban, M.P.

The Hon. David Kombe, M.P.

ABSENT WITH APOLOGY

The Hon. Geoffrey M. Parpai, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. P.K. Muasya	-	Director of Audit
Mr. D. Mwanyumba	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector of State Corporations.
Ms. T.K. Gichana	-	Assistant Inspector of State Corporations.

MIN. NO.194/2002

EVIDENCE

Report and Accounts of Electricity Regulatory Board for the year 1999/2000 and Certificate thereon by the Auditor General (Corporations).

Mrs. C.A. Kola, Secretary, Electricity Regulatory Board accompanied by Prof. W. Mwangi, Permanent Secretary Ministry of Energy; Mr. J.K. Muriithi, Board Chairman; Mr. E. Opiayo, Finance Manager; Mr. S.N. Wagitu, Senior Principal Finance Officer, Ministry of Energy; Mr. Mrs. P. Mwilu, former Secretary, Electricity Regulatory

Board; Mr. J. Ranguma, Commissioner of Income Tax; Mr. Joseph Nduati, Income Tax Department and Mr. Moses Wetangula, former Board Chairman appeared before the Committee and gave evidence on the Accounts of the Board for the year 1999/2000.

MIN. NO.195/2002 **EVIDENCE**

The Committee took and completed evidence on the Accounts of 1999/2000

MIN. NO.196/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at thirty minutes past Six O'clock until Thursday February 21, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE THIRTY-SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON THURSDAY, FEBRUARY 21, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. John M. Katuku, M.P.
The Hon. J.B.N. Muturi, M.P.

ABSENT WITH APOLOGY

The Hon. Sayyid M. Amin, M.P.
The Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. J.E. Onyango	-	Assistant Director of Audit
Mr. C.O. Kiage	-	Principal Auditor
Mr. C. U. Amadi	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. S. Kitungu	-	Principal Economist

INSPECTORATE OF STATE CORPORATIONS

Ms. T. Gichana	-	Assistant Inspector of State Corporations

MIN. NO.197/2002 **EVIDENCE**

Report and Accounts of Tana and Athi River Development Authority for the year 1992/93 and the Certificate thereon by the Auditor General (Corporations).

Mr. J.P.K. Matui Managing Director, Tana and Athi River Development Authority accompanied by Mrs. J.N. Ongegu, Authority Secretary; Mr. J.A. Osano, Chief Accountant; Mr. A. M'Arimi, Chief Technical Manager; Mr. D.J.M. Mwasaga, Deputy Secretary, Ministry of Agriculture and Rural Development and Mr. M.A.L. Indiazi, Senior Finance Officer Ministry of Agriculture and Rural Development appeared before the Committee and gave evidence on the Accounts of the Authority for the year 1992/93.

MIN. NO.198/2002 **DEFERRED EVIDENCE: PARAGRAPH 1 OF THE 1992/93 ACCOUNTS - FINANCIAL POSITION.**

The Committee deferred taking evidence on the paragraph and resolved that the following Permanent Secretaries along with the management of the Authority should appear at a later date in relation to the paragraph:-

(i) Permanent Secretary, Secretary to the Cabinet and Head of the Public Service:
(ii) Permanent Secretary, Ministry of Agriculture and Rural Development;
(iii) Permanent Secretary, Ministry of Energy; and
(iv) Permanent Secretary, Ministry of Finance and Planning.
(v) The Managing Director, Kenya Power and Lighting Company.

MIN. NO.199/2002 **DEFERRED EVIDENCE: PARAGARAPH 2 OF THE 1992/93 ACCOUNTS - REVENUE FROM SALE OF HYDRO-ELECTRIC BULK POWER**

The Committee deferred taking evidence on the paragraph to a later date and resolved that the

Permanent Secretaries referred to in Min No. 197 above appear at a later date in relation to the paragraph.

MIN. NO.200/2002

DEFERRED EVIDENCE: PARAGRAPH 3 OF THE 1992/93 ACCOUNTS - OUTSTANDING LOAN REPAYMENTS

The Committee deferred taking evidence on the paragraph to a later date.

MIN. NO.201/2002

ADDITIONAL INFORMATION: PARAGRAPH 4 OF THE 1992/93 ACCOUNTS - IRREGULAR USE OF THE AUTHORITY'S FUNDS TO CONSTRUCT A HOUSE-FORMER MANAGING DIRECTOR'S DEBTS.

The Committee directed the Chief Executive to institute measures to recover the balance owed by the former Managing Director, Mr. A. Birgen and submit a report on the action taken, by March 07, 2002.

A copy of the report should be submitted to the Auditor-General (Corporations).

MIN. NO.202 /2002

ADJOURNMENT

The Chairman adjourned the Sitting at forty minutes past Twelve O'clock until this afternoon at 2.30.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. John M. Katuku, M.P.
The Hon. David Kombe, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Grace Mwewa, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. J.E. Onyango	-	Assistant Director of Audit
Mr. B.O. Omolo	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. N. Mwingimwa	-	Deputy Economist

MIN. NO.203/2002

EVIDENCE

Report and Accounts of Kerio Valley Development Authority for the year 1997/98 and 1998/99 and the Certificates thereon by the Auditor General (Corporations).

Mr. Immanuel Imana, Managing Director accompanied by Mr. Z.M. Shigogodi, Financial Controller and Mr. D.J.M. Mwasaga, Deputy Secretary Ministry of Agriculture and Rural Development appeared before the Committee and gave evidence on the Accounts of the Authority for the years 1997/98 and 1998/99.

MIN. NO.204/2002

ADDITIONAL EVIDENCE: PARAGRAPH 3 OF THE 1997/98 ACCOUNTS - ROSE FLOWER PROJECT

The Committee directed the Chief Executive to submit evidence of action being taken by the Authority to ensure that the former Chief Executive Mr. Paul Chemweno and a former board member Mr. Joseph Cheptarus are investigated for abuse of office. The Chief Executive should ensure that a statement of complaint is recorded with the Kenya Anti-corruption Police Unit.

The Chief Executive should submit a report, a copy of which, should be forwarded to the Auditor-General (Corporations) on the action taken, by March 07, 2002.

MIN. NO.205/2002

DEFERRED EVIDENCE:

The Committee deferred taking evidence on paragraphs 4-6 to later date.

MIN. NO.206/2002

ADJOURNMENT

The Ag. Chairman Mr. Kiunjuri adjourned the Sitting at twenty minutes past Five O'clock until Friday February 22, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE THIRTY-THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON FRIDAY, FEBRUARY 22, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.

ABSENT WITH APOLOGY

The Hon. Sayyid M. Amin, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Ali I. Shaaban, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. J.E. Onyango	-	Assistant Director of Audit
Mr. Mr. C. Kiage	-	Principal Auditor
Mr. C. Amach	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. G.L. Kirori	-	Deputy Chief Economist
Mrs. S. Kuria	-	Executive Officer

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector of State Corporations.
Mr. P.E. Ochieng	-	Senior Economist

MIN. NO.207/2002

EVIDENCE

Report and Accounts of National Irrigation Board for the years 1995/96 and 1996/97 and the Certificate thereon by the Auditor General (Corporations).

Mr. J.P. Olum, Ag. General Manager, National Irrigation Board accompanied by Mr. I.J.O. Ogombe, Deputy General Manager; Mr. K. Wanyonyi, Ag. Senior Internal Auditor; Ms. M. Chomba, Ag. Chief Accountant and Mr. D.J.M. Mwasaga, Deputy Secretary, Ministry of Agriculture and Rural Development appeared before the Committee in relation to the Accounts of the Board for the years 1995/96 and 1996/98.

MIN. NO.208/2002

POSTPONEMENT OF EVIDENCE

The Committee postponed taking evidence on the accounts of National Irrigation Board for the years 1995/96 and 1996/97 owing to the non-appearance of a substantive Chief Executive of the Board and directed the Ministry of Agriculture to regularise the appointment of the Acting General Manager and ensure a substantive General Manager is appointed.

MIN. NO.209/2002

ISSUE TO RAISE WITH THE 'BIG FIVE'

The Committee resolved to raise the following issue with the 'Big Five'.

Mode of appointment of Chief Executives Vis-à-vis the enabling statutes.

MIN. NO.210/2002

ANY OTHER BUSINESS

Sitting Programme

The Committee reviewed the sitting programme and resolved not to take evidence on the week commencing Monday February 25, 2002.

The Committee however, resolved to sit and confirm minutes on Wednesday February 27, 2002 at 10.00 a.m.

MIN. NO.211/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at ten minutes past Eleven O'clock until Wednesday February 27, 2002 at 10.00 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

27th February, 2002

DATE .....

MINUTES OF THE THIRTY-FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON WEDNESDAY, FEBRUARY 27, 2002 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.
The Hon. David Kombe, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)

MIN. NO.212/2002 **CONFIRMATION OF MINUTES**

Minutes of the previous sittings of the Committee were confirmed by the Members present and signed by the Chairman as follow:-

(i) the first sitting held on Thursday August 09, 2001 were proposed by Hon. John Katuku, M.P. and seconded by Hon. J.B.N. Muturi, M.P.;

(ii) the second sitting held on Thursday August 23, 2001 were proposed by Hon. David Kombe, M.P. and seconded by Hon. Ochilo Ayacko, M.P.;

(iii) the third sitting held on Tuesday October 02, 2001 were proposed by Hon. David Kombe, M.P. and seconded by Hon. J.B.N. Muturi, M.P.;

(iv) the fourth sitting held on Tuesday October 16, 2001 were proposed by Hon. J.B.N. Muturi, M.P. and seconded by Hon. Ochilo Ayacko, M.P.;

(v) the fifth sitting held on Tuesday October 23, 2001 were proposed by Hon. The Hon. Ochilo Ayacko, M.P. and seconded by Hon. John M. Katuku, M.P.;

(vi) the sixth sitting held on Friday October 26, 2001 were proposed by Hon. J.B.N. Muturi, M.P. and seconded by Hon. John M. Katuku, M.P.;

(vii) the seventh sitting held on Friday, November 16, 2001,were proposed by Hon. David Kombe, M.P. and seconded by Hon. Geoffrey Parpai, M.P.;

(viii) the eighth sitting held on Friday November23, 2001 were proposed by Hon. John Katuku, M.P. and seconded by Hon. J.B.N. Muturi, M.P.:

(ix) the ninth sitting held on Friday November 30, 2001 were proposed by Hon. Ochilo Ayacko, M.P. and seconded by Hon. J.B.N. Muturi, M.P.;

(x) the tenth sitting held on Friday December 07, 2001 were proposed by Hon. David Kombe, M.P. and seconded by Hon. Geoffrey Parpai, M.P.;

(xi) the eleventh sitting held on Wednesday December 19, 2001 were proposed by Hon. David Kombe, M.P. and seconded by Hon. John Katuku, M.P.;

(xii) the twelfth sitting held on Tuesday January 15, 2002 were proposed by Hon. Geoffrey Parpai, M.P. and seconded by Hon. J.B.N. Muturi, M.P.

(xiii) the thirteenth sitting held on Wednesday 16, 2002 were proposed by Hon. John Katuku, M.P. and seconded by Hon. Ochilo Ayacko, M.P.;

(xiv) the fourteenth sitting held on Tuesday January 22, were proposed by Hon. Geoffrey Parpai, M.P. and seconded by Hon. J.B.N. Muturi, M.P.;

(xv) the fifteenth sitting held on Wednesday January 23, 2002 were proposed by Hon. Geoffrey Parpai, M.P. and seconded by Hon. J.B.N. Muturi, M.P.;

(xvi) the sixteenth sitting held on Thursday January 24, 2002 were proposed by Hon. Geoffrey Parpai and seconded by Hon. J.B.N. Muturi, M.P.;

(xvii) the seventeenth sitting held on Friday January 25, 2002 were proposed by Hon. Ochilo Ayacko, M.P. and seconded by Hon. Geoffrey Parpai, M.P.

(xviii) the eighteenth sitting held on Tuesday January 29, 2002 were proposed by Hon. Geoffrey Parpai, M.P. and seconded by Hon. J.B.N. Muturi, M.P.;

(xix) the nineteenth sitting held on Wednesday January 30, 2002 were proposed by Hon. Geoffrey Parpai, M.P. and seconded by Hon. John Katuku, M.P.;

(xx) the twentieth sitting held on Thursday January 31, 2002 were proposed by Hon. Geoffrey Parpai, M.P. and seconded by Hon. J.B.N. Muturi, M.P.;

(xxi) the twenty-first sitting held on Friday February 01, 2002 were proposed by Hon. J.B.N. Muturi, M.P. and seconded by Hon. John Katuku, M.P.;

(xxii) the twenty-second sitting held on Tuesday February 02, 2002 were proposed by Hon. J.B.N. Muturi and seconded by Hon. John Katuku, M.P.;

(xxiii) the twenty-third sitting held on Wednesday February 06, 2002 were proposed by Hon. David Kombe, M.P. and seconded by Hon. J.B.N. Muturi, M.P.;

(xxiv) the twenty-fourth sitting held on Thursday February 07, 2002 were proposed by Hon. John Katuku, M.P. and seconded by Hon. Ochilo Ayacko, M.P.;

(xxv) the twenty-fifth sitting held on Friday February 08, 2002 were proposed by Hon. J.B.N. Muturi, M.P. and seconded by Hon. David Kombe, M.P.;

(xxvi) the twenty-sixth sitting held on Tuesday February 12, 2002 were proposed by Hon. Ochilo Ayacko, M.P. and seconded by Hon. Geoffrey Parpai, M.P.;

(xxvii) the twenty-seventh sitting held on Wednesday February 13, 2002 were proposed by Hon. Ochilo Ayacko, M.P. and seconded by Hon. John Katuku, M.P.;

(xxviii) the twenty-eighth sitting held on Thursday February 14, 2002 were proposed by Hon. David Kombe, M.P. and seconded by Hon. J.B.N. Muturi, M.P.;

(xxix) the twenty-ninth sitting held on Friday February 15, 2002 were proposed by Hon. J.B.N. Muturi, M.P. and seconded by Hon. John Katuku, M.P.;

(xxx) the thirtieth sitting held on Tuesday February 19, 2002 were proposed by Hon. Grace Mwewa, M.P. and seconded by Hon. David Kombe, M.P.;

(xxxi) the thirty-first sitting held on Wednesday February 20, 2002 were proposed by Hon. Grace Mwewa, M.P. and seconded by Hon. John Katuku, M.P.;

(xxxii) the thirty-second sitting held on Thursday February 21, 2002 were proposed by Hon. J.B.N. Muturi, M.P. and seconded by Hon. John Katuku, M.P.;

(xxxiii) the thirty-third sitting held on Friday February 22, 2002 were proposed by Hon. John Katuku, M.P. and seconded by Hon. J.B.N. Muturi, M.P.

MIN. NO.213/2002 **MATTERS ARISING**

Under Min. No 41/2001, the Committee appointed Hon. Geoffrey Parpai, M.P. Chairman of the Sub-Committee on Implementation Status and Action Taken Reports in place of Hon. Wafula Wamunyinyi, M.P.

Under Min. No.45/2002 the Committee resolved that the management of National Hospital Insurance Fund (NHIF) should appear before the Committee on 19th March, 2002.

MIN. NO.214/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at forty minutes past Twelve O'clock until Tuesday March 05, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

8th August, 2002

DATE .....

MINUTES OF THE THIRTY-FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON TUESDAY, MARCH 05, 2001 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. David Kombe, M.P.

ABSENT WITH APOLOGY

The Hon. Grace Mwewa, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor General (Corporations)
Mr. P.K. Muasya	-	Director of Audit
Mr. D.W.K. Mwanyuma	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. L.C. Kollum	-	Principal Finance Officer
Mr. S.M. Karehu	-	Chief Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. N. Mwingirwa	-	Deputy Economist
Ms. T.K. Gichana	-	Assistant Inspector of State of Corporations.

MIN. NO.215/2002 **EVIDENCE**

Report and Accounts of Agricultural Development Corporation for the year 1996/97 and Certificates thereon by the Auditor General (Corporations).

Mr. J.K. Siror, Managing Director accompanied by Mr. K.J. Mbugua, Financial Controller, Ms. J.D. Otieno, Corporation Secretary, Dr. S.K. Mutai, Technical Manager (L), Mr. J.O. Ndeda, Technical Manager (O) and Mr. Mwasaga, Deputy Secretary, Ministry of Agriculture appeared before the Committee and gave evidence on the Accounts of the Corporation for the year 1996/97.

MIN. NO.216/2002 **EVIDENCE: KENYA SEED COMPANY**

The Committee resolved to raise the issue of private placement of shares by Kenya Seed Company Ltd. with the Permanent Secretaries Ministries of Agriculture and Rural Development and Finance and Planning at a later date.

The Committee further resolved that the management of Agricultural Development Corporation should produce evidence to the effect that there was approval from Government for placement of the shares by 13th March, 2002.

MIN.NO.217/2002 **ADDITIONAL INFORMATION: PARAGRAPH 3 OF THE 1996/97 ACCOUNTS - DEBTORS**

The Committee directed the Chief Executive to submit information by 29th April, 2002 on when the Milking Machine will be installed and commissioned.

MIN.NO.218/2002 **ADDITIONAL INFORMATION: PARAGRAPH 1 OF THE 1996/97 ACCOUNTS - (LANDS LTD) - OPERATING RESULTS.**

The Committee directed the Chief Executive to submit the following information by 5 O'clock this afternoon:-

A list of allottees who have not paid for land they acquired from the Corporation indicating what each allottee owed.

MIN.NO.219/2002 **DEFERRED EVIDENCE**

The Committee deferred taking evidence on the Accounts of the Kulalu Ranch and Garissa Irrigation Project to a later date.

MIN. NO.220/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at forty five minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. John M. Katuku, M.P.
The Hon. David Kombe, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. J.B.N. Muturi, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.
The Hon. Grace Mwewa, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor General (Corporations)
Mr. H.O Wanyama	-	Assistant Director of Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. S.M. Karehu - Chief Accountant

INSPECTORATE OF STATE CORPORATIONS

Mr. N. Mwingirwa - Deputy Chief Economist
Ms. T.K. Gichana - Assistant Inspector of State Corporations

MIN. NO.221/2002

EVIDENCE

Report and Accounts of Kerio Valley Development Authority for the year 1997/98 and Certificates thereon by the Auditor General (Corporations).

Mr. E.I.I. Imana, Managing Director, Kerio Valley Development Authority accompanied by Mr. Z.M. Shigogodi, Financial Controller; Mr. D.J.M. Mwasaga, Deputy Secretary, Ministry of Agriculture and Rural Development and Mr. S.G. Gichere, Alternate Director to the Permanent Secretary Ministry of Finance and Planning appeared before the Committee and gave evidence on the Accounts of the Corporation for the year 1997/98.

MIN. NO.222/2002

ADDITIONAL INFORMATION: PARAGRAPH 3 OF THE 1997/98 ACCOUNTS - ROSE FLOWER PROJECT

The Committee directed the Chief Executive to submit a report on the progress the Authority had made towards ensuring that the former Chief Executive Mr. Paul Chemweno and a former board member Mr. Joseph Cheptarus are investigated for abuse of office.

The report should be submitted before the March 28, 2002.

MIN. NO.223/2002

ADDITIONAL INFORMATION: PARAGRAPH 6 OF THE 1997/98 ACCOUNTS EXPENSES THROUGH CARD - KSHS.1,038,558

The Committee directed the Chief Executive to submit a report by March 12, 2002 on what action the Authority had taken to recover the Kshs.77,858 which was allegedly spent to purchase a bed by the then Chief Executive Mr. Paul Chemweno.

MIN. NO.224/2002

ADJOURNMENT

The Chairman adjourned the Sitting at forty-five minutes past Four O'clock until Wednesday March 6, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

8th August, 2002

DATE .....

MINUTES OF THE THIRTY-SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON WEDNESDAY, MARCH 06, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. David Kombe, M.P.

ABSENT WITH APOLOGY

The Hon. Sayyid M. Amin, M.P.
The Hon. Ali I. Shaaban, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. J.E. Onyango	-	Assistant Director of Audit
Mr. C.N. Nyanyuki	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary
Mr. F. King'ori	-	Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Ms. T. Gichana	-	Assistant Inspector of State Corporations.

MIN. NO.225/2002

EVIDENCE

Report and Accounts of Nzoia Sugar Company for the year 1995/96 and the Certificate thereon by the Auditor General (Corporations).

Mr. J.P. Romera, General Manager, Nzoia Sugar Company accompanied by Mr. F.S. Wanyonyi, Company Secretary; Mr. M.D. Mackenzie, Finance Manager; Mr. A.M. Gakere, Deputy Secretary, Ministry of Agriculture and Rural Development; Mr. D.J. Mwasaga, Deputy Secretary, Ministry of Agriculture and Rural Development and Mr. W.O. Mbaka, Finance Officer Ministry of Agriculture and Rural Development appeared before the Committee and gave evidence on the Accounts of the Company for the year 1995/96.

MIN. NO.226/2002

ADDITIONAL INFORMATION: PARAGRAPH 3 OF THE 1995/96 ACCOUNTS - BANK OVERDRAFT

The Committee directed the Chief Executive to submit the following information by April 30, 2002:-

(i) A detailed analysis showing how the overdraft account Kshs.214 million grew to Kshs.1.3 billion.

(ii) All documents related to the overdraft account.

The Committee in addition directed the Management in conjunction with the parent Ministry, Treasury and the Auditor-General (Corporations) to analyse the overdraft account to ascertain whether interest was not overcharged.

A report of the analysis should be submit to the Committee by April 30, 2002.

MIN.NO.227/2002

EVIDENCE

The Committee took and completed evidence on the 1995/96 Accounts.

MIN. NO.228/2002

ADJOURNMENT

The Chairman adjourned the Sitting at thirty minutes past Twelve O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. John M. Katuku, M.P.
The Hon. J.B.N. Muturi, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Sayyid M. Amin, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor General (Corporations)
Mr. H.E. Wanyama	-	Assistant Director of Audit
Mrs. J.K. Mbaabu	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. F.W. Kuria	-	Assistance Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. E. M. Ngigi	-	Principal Assistant Inspector of State Corporations

MIN. NO.229/2002

EVIDENCE

Report and Accounts of National Housing Corporation for the year 1997/98 and the Certificate thereon by the Auditor General (Corporations).

Mr. D.M. Rimber, Managing Director, National Housing Corporation accompanied by Mrs. E.M. Mbugua, Corporation Secretary; Mr. B.J. Ogolla, Technical Manager; Mr. L.O. Menya, Finance Manager; Mr. R.M. Sudi, Chief Architect; Mr. W.T. Makutha, Chief Engineer; Mr. L.M. Ong'onge, Finance Manager and Mr. P.O. Sika, Chief Architect Ministry of Roads and Public Works appeared before the Committee and gave evidence on the Accounts of the Corporation for the year 1997/98.

MIN. NO.230/2002

DEFERRED EVIDENCE: PARAGRAPH 5 OF THE 1997/98 ACCOUNTS - SCHEMES IN PROGRESS

The Committee deferred taking evidence on the paragraph and resolved that the following people along with the management of the Corporation appear at a later date in relation to the paragraph:-

(i) the former Managing Director Mr. Lawi Kiplagat;
(ii) Commissioner of Lands;
(iii) Directors of Sabaki Estates Ltd;
(iv) Mrs. Amiani of Lands Office;
(v) Mr. Wilfred Kimalat;
(vi) Mr. Magut; and
(vii) the Consultants who were hired to redesign the Eldoret Mortgage Housing Scheme.

The Committee in addition directed the Managing Director to submit the following information:-

(i) A comprehensive report on the status of the plots belonging to the Corporation in Eldoret.
(ii) Names of the individuals who had been allocated the said plots.

MIN. NO.231/2002 **EVIDENCE**

The Committee took and completed evidence on the 1997/98 Accounts.

MIN. NO.232/2002 **TRIP TO MALAYSIA**

The Committee resolved to undertake a study trip to Malaysia starting from the weekend of 16th March, 2002 and that the following members will be in the delegation:-

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Mwangi Kiunjuri, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Mutua Katuku in place of Hon. Mwewa, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. G. Parpai in place of Hon. Ali I. Shaaban, M.P.
The Hon. Ochilo Ayacko, M.P.

The Committee further resolved that Hon. Sayyid Amin be replaced by Hon. J.B. Muturi, as the former does not regularly attend the Committee sittings and may not contribute effectively in the course of the study trip.

MIN. NO.233/2002 **ADJOURNMENT**

The Ag. Chairman Hon. John Katuku, M.P. adjourned the Sitting at five minutes past Six O'clock until Thursday March 07, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)
SIGNED .....
(CHAIRMAN)

31st March, 2002
DATE .....

MINUTES OF THE THIRTY-SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON THURSDAY, MARCH 07, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi. M.P. (Chairman)
The Hon. Ochilo Ayacko. M.P.
The Hon. John M. Katuku. M.P.
The Hon. Mwangi Kiunjuri. M.P.
The Hon. Sayyid M. Amin. M.P.
The Hon. Ali I. Shaaban. M.P.
The Hon. J.B.N. Muturi. M.P.
The Hon. Grace Mwewa. M.P.
The Hon. Abubakar M. Badawy. M.P.

ABSENT WITH APOLOGY

The Hon. David Kombe. M.P.
The Hon. Geoffrey M. Parpai. M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor General (Corporations)
Mr. D.W.K. Mwanyumba	-	Principal Auditor
Mr. F.J. Mwasella	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Programme Manager

INSPECTORATE OF STATE CORPORATIONS

Mr. R.E. Ndubai	-	Principal Assistant Inspector of State Corporations.
Ms. T. Gichana	-	Assistant Inspector of State Corporations.

MIN. NO.234/2002 **EVIDENCE**

Report and Accounts of Kenya Ports Authority for the year 1998/99 and the Certificate thereon by the Auditor General (Corporations).

Mr. B.M.M. Ondego, Managing Director, Kenya Ports Authority accompanied by Mr. P.G. Njari, Head of Internal Audit; Mr. G.R. Dulu, Corporation Secretary; Mr. J.M. Mulewa, Financial Controller; Eng. A. Samatar, Chief Civil Engineer; Mr. Y. Oyaro, Procurement Manager; Eng. J. Atonga, Chief Ports Engineer; Mr. A. Hussein, Legal Officer; Mr. J.O. Lukiri, Financial Accountant; Hon. Simeon Mkalla, M.P., former Managing Director; Eng. E.O. Njiru, former Chief Civil Engineer; Mr. H.O. Oluoch, Deputy Secretary, Ministry of Transport and Communications and Mr. S.P. Ndemo, Deputy Secretary (Maritime and Railways) Ministry of Transport and Communications, appeared before the Committee and gave evidence on the Accounts of the Authority for the year 1998/99.

MIN. NO.235/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at fifty-five minutes past Twelve O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Mwangi Kiunjuri, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Ochilo Ayacko, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY

The Hon. David Kombe, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. E.N. Wambugu	-	Deputy Auditor General (Corporations)
Mr. D.W.K. Mwanyumba	-	Principal Auditor
Mr. F.J. Mwasella	-	Senior Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. J.G. Mwangi	-	Programme Manager

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngigi	-	Principal Assistant Inspector of State Corporations
Ms. T.K. Gichana	-	Assistant Inspector of State Corporations.

MIN. NO.236/2002

EVIDENCE

Report and Accounts of Kenya Ports Authority for the year 1998/99 and the Certificate thereon by the Auditor General (Corporations).

Mr. B.M.M. Ondego, Managing Director, Kenya Ports Authority accompanied by this team re-appeared before the Committee and gave further evidence on the Accounts of the Authority for the year 1998/99.

MIN. NO.237/2002

ADDITIONAL INFORMATION: PARAGRAPH 5 OF THE 1998/99 ACCOUNTS - PROCUREMENT OF GOODS.

The Committee directed the Chief Executive to submit names of the directors of M/s Wayland, by March 21, 2002.

The Committee further asked the Auditor-General (Corporations) to verify that the 16 life rafts purchased at the cost of Kshs.10,365,320 were put to use.

MIN. NO.238/2002

DEFERRED EVIDENCE: PARAGRAPH 6 OF THE 1998/99 ACCOUNTS - STOCKS AND STOCKS EVALUATION CONSULTANCY.

The Committee deferred taking on the paragraph and resolved that the then Managing Director Mr. L. Mwangola along with the management of the Authority appear at a later date in relation to the Paragraph.

Mr. Mwangola will be required to explain how the firms of consultants who were contracted to carry out the stores verification exercise were identified.

He will also be required explain how the Kshs.14,049,537 paid to the firms of consultants was arrived at.

MIN. NO.239/2002

ADDITIONAL INFORMATION: PARAGRAPH 8 OF THE 1998/99 ACCOUNTS - INVESTMENTS

The Committee directed the Chief Executive to submit the names of the officers who deposited the Authority's surplus funds contrary to Treasury circulars, stating how much each officer deposited and in which institution.

The information should be submitted by March 12,2002.

MIN. NO.240/2002

ADJOURNMENT

The Chairman adjourned the Sitting at thirty-five minutes past Five O'clock until Friday 15th March, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

8th August, 2002

DATE .....

MINUTES OF THE THIRTY-EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON FRIDAY, MARCH 15, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Sayyid M. Amin, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.
The Hon. David Kombe, M.P.
The Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)
Mr. H.O. Wanyama	-	Assistant Director of Audit
Mr. R.M. Bichanga	-	Principal Audit

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. P.C. Sigei	-	Senior Economist

INSPECTORATE OF STATE CORPORATIONS

Mr. N. Mwingirwa	-	Deputy Chief Economist
Mr. T.K. Gichana	-	Assistant Inspector of State Corporations

MIN. NO.241/2002 **EVIDENCE**

Report and Accounts of Communications Commission of Kenya for the year 1999/2000 and Certificates thereon by the Auditor General (Corporations).

Mr. S.K. Chepkonga, Managing Director, Communications Commission of Kenya accompanied by Mr. J.Omo, Commission Secretary, Mr. Juma Kandu, Head Human Resource and Administration; Ms. Peris Nkonge, Chief Accountant; Mr. H. Oluoch, Deputy Secretary, Ministry of Transport and Communications; Mr. Francis K. Sang, Director Criminal Investigation Department and Mr. Rautta Adhiambo, Chief State Counsel/Secretary to the Advocates appeared before the Committee and gave evidence on the Accounts of the Commission for the year 1999/2000.

MIN. NO.242/2002 **DEFERRED EVIDENCE: PARAGRAPH 1 OF THE 1999/2000 ACCOUNTS - KAREN PLOTS LR 12445 AND 12550**

The Committee deferred taking evidence on the paragraph and resolved that the then Director of Kenya Anti-Corruption Authority and the officer who investigated the alleged land purchase fraud involving the Directors of Benja Investments Ltd. should appear at a later date to explain why they recommended to the Attorney General that Mr. Chege Kirundu and Mrs. Wamaitha Chege should not be prosecuted for the false pretences.

The Committee further asked the Director of Criminal Investigation Department to institute fresh investigation into the purchase of the two plots by Kenya Posts and Telecommunication Corporation from M/s Benja Investments Ltd. in November, 1991.

MIN. NO.243/2002 **ADDITIONAL INFORMATION: PARAGRAPH 2 OF THE 1999/2000 ACCOUNTS - FIXED ASSETS.**

The Committee directed the Chief Executive to update the Committee on the progress being made on the issuance of a new certificate of title in its name.

MIN. NO.244/2002 **EVIDENCE**

The Committee took and completed evidence on paragraph 3 of the 1999/2000 Accounts.

MIN. NO.245/2002 **ANY OTHER BUSINESS**

Communications Commission of Kenya Headquarters

The Committee resolved to visit and inspect the on-going construction works at the Communications Commission of Kenya Headquarters at a later date.

MIN. NO.246/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at ten minutes past One O'clock until a later date.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

8th August, 2002

DATE.....

MINUTES OF THE THIRTY-NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON THURSDAY, MARCH 21, 2002 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Geoffrey M. Parpai, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. Ali I. Shaaban, M.P.

ABSENT WITH APOLOGY

The Hon. David Kombe, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE **NATIONAL ASSEMBLY**

Mr. Michael Sialai - Clerk Assistant I
Mrs. Serah Kioko - Clerk Assistant III

MIN. NO.247/2002 **CONFIRMATION OF MINUTES**

Minutes of the thirty sixth sitting of the Committee held on Wednesday, March 6, 2002 were confirmed by the Members present and signed by the Chairman. They were proposed by Hon. Geoffrey Parpai, M.P. and seconded by Hon. Ochilo Ayacko, M.P.

MIN. NO.248/2002 **MATTERS ARISING**

Under **Min. No 231/2002**, the Committee resolved that the second paragraph be expunged from the minutes and reiterated that the following Members will form the delegation to Malaysia:-

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Mwangi Kiunjuri, M.P.

The Hon. Abubakar M. Badawy, M.P.

The Committee further resolved as follows:-

1. That privileges accorded to the Committee Members will be tied to punctuality, regular attendance and active participation in Committee business.

2. That Hon. Sayyid Amin, M.P. will be included in any future trip to be undertaken by the Committee.

MIN. NO.249/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at forty minutes past Eleven O'clock until a later date.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

8th August, 2002

DATE .....

MINUTES OF THE FOURTIETH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON FRIDAY, APRIL 05, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. John M. Katuku, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Geoffrey M. Parpai, M.P.

ABSENT WITH APOLOGY

The Hon. Mwangi Kiunjuri, M.P.
The Hon. David Kombe, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Sayyid M. Amin, M.P.
The Hon. Abubakar M. Badawy, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. J. E. Onyango	-	Assistant Director of Audit
Mr. R. Kiage	-	Principal Auditor

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. P.C. Sigei	-	Senior Economist

INSPECTORATE OF STATE CORPORATIONS

Ms. J. Wesonga	-	Senior Auditor

MIN. NO.250/2002 **EVIDENCE**

Report and Accounts of Kenya Sugar Authority and Sugar Development Fund for the year 1998/99 and

Certificates thereon by the Auditor General (Corporations).

Mr. D.M. Mule, Ag. Chief Executive, Kenya Sugar Authority, accompanied by Mr. A. Amulyoto, Head of Finance; Mr. J.G. Chege, Deputy Head of Finance; Mr. D. Mwasaga, Deputy Secretary, Ministry of Agriculture and Rural Development; Mr. F. Chahonyo, former Chief Executive, Kenya Sugar Authority and Mr. J.M. Weindaba, Chief Accountant, Kenya Agricultural Research Institute appeared before Committee and gave evidence on the Accounts of the Fund for the year 1998/99.

MIN. NO.251/2002

ADDITIONAL INFORMATION: PARAGRAPH 1 OF THE 1998/99 ACCOUNTS (SUGAR DEVELOPMENT FUND) - TISSUE CULTURE PROGRAMME

The Committee directed the management of the Authority and KARI to submit a write-up on how seed cane which was propagated was utilised.

The Committee in addition requested the Auditor-General (Corporations) to confirm that the 4,003,571 plantlets were delivered and how they were distributed.

The management of the Authority and KARI were directed to avail all the necessary assistance to the Auditor-General (Corporations) in carrying out the verification exercise.

MIN.NO.252/2002

ADDITIONAL INFORMATION: PARAGRAPH 3 OF THE 1998/99 ACCOUNTS (SUGAR DEVELOPMENT FUND) - LEGAL FEES

The Committee directed the Chief Executive to submit, to the Auditor-General (Corporations) detailed information on the various amounts owed by the debtors, when payments were made and how. Copies of letters of instruction to lawyers should also be submitted.

The information should be submitted by April 20, 2002.

MIN. NO.253/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at thirty minutes past Twelve O'clock until Friday, April 12, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

8th August, 2002

DATE .....

MINUTES OF THE FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON THURSDAY, MAY 16, 2002 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Moses Muihia, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. A.K. Wehliye, M.P.
The Hon. Eric T. Morogo, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Chege Mbitiru, M.P.
The Hon. Maoka Maore, M.P.
The Hon. Ochilo Ayacko, M.P.

ABSENT WITH APOLOGY

The Hon. Mohammed D. Weyrah, M.P.
The Hon. Grace Mwewa, M.P.

IN ATTENDANCE **NATIONAL ASSEMBLY**

Mr. P.C. Owino Omolo	-	Deputy Clerk
Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

MIN. NO.1/2002 **INTRODUCTORY REMARKS BY THE DEPUTY CLERK INCHARGE OF FINANCE AND ADMINISTRATION**

The Deputy Clerk called the meeting to order and made reference to Standing Order No.148 under which the Public Investments Committee is established. He emphasised the provisions that govern membership of the Committee and the election of the Chairman. He advised the Committee that its membership would remain as resolved by the House and any decision to the contrary would have to be made by the House.

MIN. NO.2/2002 **ELECTION OF CHAIRMAN**

The Deputy Clerk conducted the proceedings for the election of the Chairman. He called for proposals and Hon. Wafula Wamunyinyi, M.P. was proposed by Hon. Ali I. Shaaban, M.P. and seconded by Hon. Eric T. Morogo, M.P. In the absence of any other proposal, the

Deputy Clerk declared Hon. Wafula Wamunyinyi, M.P. unanimously elected Chairman.

MIN. NO.3/2002 **REMARKS BY THE CHAIRMAN**

Hon. Wafula Wamunyinyi, M.P. assumed the Chair and thanked his colleagues for unanimously electing him Chairman of the Committee.

He urged them to work in unity and dedicate themselves fully to the task entrusted to them by the House.

MIN. NO.4/2002 **ANY OTHER BUSINESS**

The Committee resolved to meet on Wednesday May 22, 2002 to deliberate on its programme of business.

MIN. NO.5/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at twenty minutes past Twelve O'clock until Wednesday May 22, 2002 at 2.30 p.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

4th June, 2002

DATE .....

MINUTES OF THE SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON WEDNESDAY, MAY 22, 2002 AT 2.30 P.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Moses Muihia, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Chege Mbitiru, M.P.
The Hon. Maoka Maore, M.P.
The Hon. Ochilo Ayacko, M.P.

ABSENT WITH APOLOGY

The Hon. A.K. Wehliye, M.P.
The Hon. Eric T. Morogo, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Mohammed D. Weyrah, M.P.
The Hon. Grace Mwewa, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

MIN. NO.6/2002 **DELIBERATION ON THE PROGRAMME OF BUSINESS**

The Committee resolved to:-

(i) visit the Kenya Railways Corporation's plot in South B on Wednesday May 29, 2002 at 10.00 a.m.
(ii) visit the Jomo Kenyatta University of Agriculture and Technology on Wednesday June 05, 2002 at 10.00 a.m.
(iii) meet the 'Big Five' on June 21, 2002.
(iv) write its Eleventh Report on the week commencing Monday June 24, 2002.

MIN. NO.7/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at four O'clock until Wednesday May 29, 2002 at10.00 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

4th June, 2002

DATE .....

MINUTES OF THE THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT THE KENYA RAILWAYS PLOT IN SOUTH B, NAIROBI ON WEDNESDAY, MAY 29 , 2002 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Chege Mbitiru, M.P.
The Hon. Maoka Maore, M.P.
The Hon. Ochilo Ayacko, M.P.
The Hon. A.K. Wehliye, M.P.
The Hon. Ali I. Shaaban, M.P.

ABSENT WITH APOLOGY

The Hon. Moses Muihia, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Eric T. Morogo, M.P.
The Hon. Mohammed D. Weyrah, M.P.
The Hon. Grace Mwewa, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai - Clerk Assistant I

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki - Auditor-General (Corporations)
Mr. E.N. Wambugu - Deputy Auditor-General (Corporations)

INSPECTORATE OF STATE CORPORATIONS

Mr. R.O Onyuna - Senior Economist

MIN. NO.8/2002

EVIDENCE

Report and Accounts of Kenya Railways Corporation for the year 1997/98 and 1998/99 and Certificates thereon by the Auditor General (Corporations).

Mr. John Nyerere, General Manager, Kenya Railways Corporation accompanied by Mr. P.K. Mutua, Estate Manager; Mrs. K.I. Mbito, Acting Corporation Secretary; Mr. Muriithi Mugo, Land Surveyor and Mr. F. Lekama, Godown Inspector appeared before the Committee and

gave evidence on the Accounts of the Corporation for the year 1997/1998.

MIN. NO.9/2002 **INSPECTION TOUR OF A KENYA RAILWAYS PLOT AT NAIROBI SOUTH B**

The Committee was conducted on an inspection tour of the plot at Nairobi South B by the General Manager, Mr. John Nyerere. The Committee was informed that a lady tenant who was allocated the plot in 1981 under TOL has irregularly erected permanent structures and has also defaulted in paying rent.

The Committee heard that a three months quite notice to the lady tenant was withdrawn following the intervention of the parent Ministry.

The Committee observed that the intervention of the Ministry on a matter between the Corporation and a tenant was totally uncalled for, irregular and has no legal basis.

The Committee resolved that the management of Kenya Railways Corporation should proceed to collect rent due from the lady tenant and sell the plot to the highest bidder in accordance with the Procurement Regulations currently in force.

The Committee further resolved that the following people should appear before it at a later date to explain the rationale of intervening on a matter between the Corporation and a tenant:

(i) The Minister for Transport and Communications;

(ii) The Permanent Secretary, Ministry of Transport and Communications; and

(iii) A Mr. Kamwere of Ministry of Transport and Communications.

MIN. NO.10/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at Twelve O'clock until a later date.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

4th June, 2002

DATE .....

MINUTES OF THE FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.9, PARLIAMENT BUILDINGS, ON FRIDAY, JUNE 14, 2002 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Chege Mbitiru, M.P.
The Hon. Moses Muihia, M.P.
The Hon. Eric T. Morogo, M.P.
The Hon. Maoka Maore, M.P.

ABSENT WITH APOLOGY

The Hon. Ochilo Ayacko, M.P.
The Hon. A.K. Wehliye, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Mohammed D. Weyrah, M.P.
The Hon. Grace Mwewa, M.P.

IN ATTENDANCE **NATIONAL ASSEMBLY**

Mr. Michael Sialai - Clerk Assistant I

MIN. NO.11/2002 **CONFIRMATION OF MINUTES**

The following Minutes were confirmed by the Members present and signed by the Chairman as follows:-

(i) The Minutes of the First Sitting held on May 16, 2002 were proposed and seconded by Hon. Eric Morogo and Hon. Moses Muihia respectively.

(ii) The Minutes of the Second Sitting held on May 22, 2002 were proposed and seconded by Hon. Chege Mbitiru and Hon. Moses Muihia respectively.

(iii) The Minutes of the Third Sitting held on May 29, 2002 were proposed and seconded by Hon. Chege Mbitiru and Hon. Maoka Maore respectively.

MIN. NO.12/2002 **MATTERS ARISING**

The Committee resolved to visit the Jomo Kenyatta University of Agriculture and Technology on Friday June 21, 2002 at 9.30 a.m.

MIN. NO.13/2002 **ADJOURNMENT**

There being no other business, the Chairman adjourned the Sitting at thirty minutes past Eleven O'clock until Friday June 21, 2002 at 9.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

8th August, 2002

DATE .....

MINUTES OF THE FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY ON FRIDAY, JUNE 21, 2002 AT 11.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Moses Muihia, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Chege Mbitiru, M.P.
The Hon. Maoka Maore, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.
The Hon. A.K. Wehliye, M.P.
The Hon. Eric T. Morogo, M.P.
The Hon. Ochilo Ayacko, M.P.
The Hon. Mohammed D. Weyrah, M.P.
The Hon. Grace Mwewa, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mrs. Serah Kioko - Clerk Assistant III

AUDITOR-GENERAL (CORPORATIONS)

Mr. S.M. Maluki - Auditor-General (Corporations)

INSPECTORATE OF STATE CORPORATIONS

Mr. R.O. Onyuna - Senior Economist

MIN. NO.14/2002

EVIDENCE

The Reports and Accounts of Jomo Kenyatta University of Agriculture and Technology for the year 1997/98 and certificates thereon by the Auditor-General (Corporations).

Prof. Ratemo Michieka, Vice-Chancellor, Jomo Kenyatta University of Agriculture and Technology accompanied by Prof. P.G. Ngunjiri, Director, School of Architecture and Building Sciences; Dr. I.S. Makhanu, Chairman, Civil Engineering Department; Dr. E.N. Ndung'u, Ag. Dean, Faculty of Engineering; Mr. Michael H. Ngonyo,

Public Relations Officer; Mr. R. Indimuli, Accountant and Mr. Michael Mbugua, Registrar appeared before the Committee and gave evidence on the Accounts of the University for the year 1997/98.

MIN. NO.15/2002 **INSPECTION TOUR OF JOMO KENYATTA UNIVERSITY OF AGRICULTURE'S 500 ACRES OF LAND**

The Committee inspected the University's 500 acres of land and established that the entire piece of land had now been registered in the name of the University.

The Committee was informed that the University was given 200 acres as a donation and that it paid Kshs.15,000,000 for the remaining 300 acres.

The Committee directed the Vice-Chancellor to submit the following information:-

(i) Original records and follow-up correspondence on the directive by H.E. the late Mzee Jomo Kenyatta to have the land transferred to University.
(ii) Original title document on the land before it was transferred to the University to establish the ownership and size of the land before it was transferred.
(iii) Documentary evidence that only 200 acres of the 500 acres was donated to the University.

The Committee in addition resolved that the following people should appear before it and a later date to respond to issues related to the 300 acres of land for which the University paid Kshs.15,000,000:-

(i) the then Head of Public Service in whose office the land's title document was allegedly lost;
(ii) the Principal Registrar of Titles Mr. E.N. Gicheka, to explain who instructed him to draw the transfer from H.E. Mama Ngina Kenyatta to the University and the basis upon which he drew the transfer;
(iii) the then Provincial Commissioner at the time when the land was donated to the University; and

(iv) Mr. F.O.A. Omuya, who drew the original transfer to the University to explain the exact acreage of the transferred land.

MIN. NO.16/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at twenty minutes past Twelve O'clock until a later date.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

8th August, 2002

DATE .....

MINUTES OF THE SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON FRIDAY, JUNE 28, 2002 AT 9.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Moses Muihia, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Chege Mbitiru, M.P.
The Hon. Maoka Maore, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Eric T. Morogo, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Ochilo Ayacko, M.P.

ABSENT WITH APOLOGY

The Hon. A.K. Wehliye, M.P.
The Hon. Mohammed D. Weyrah, M.P.
The Hon. Grace Mwewa, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. Michael Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

MIN. NO.17/2002

DELIBERATION ON THE REPORT WRITING RETREAT, 30TH JUNE TO 5TH JULY, 2002 AT LAKE BOGORIA HOTEL

The Committee resolved to leave the Parliament Buildings for Lake Bogoria Hotel on Sunday 30th June, 2002 at 10.00 a.m.

It was also resolved that members wishing to use their own means of transport were at liberty to so provided that they would be at the venue of the retreat in good time to write the report.

Hon. Abubakar Badawy and Hon. Ali I. Shaaban would join the Committee on Monday 1st July, 2002 before 9.00 a.m.

MIN. NO.18/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at Thirty minutes past Eleven O'clock until Sunday 30th June, 2002 at 10.00 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

8th August, 2002

DATE .....

MINUTES OF THE SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT LAKE BOGORIA HOTEL ON MONDAY, JULY 01, 2002 AT 3.00 P.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Moses Muihia, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Chege Mbitiru, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Ochilo Ayacko, M.P.

ABSENT WITH APOLOGY

The Hon. Maoka Maore, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Mohammed D. Weyrah, M.P.
The Hon. Eric T. Morogo, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

CONTROLLER AND AUDITOR-GENERAL

Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)

INSPECTORATE GENERAL (CORPORATIONS)

Mr. R.O. Onyuna	-	Senior Economist

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary.

MIN. NO.19/2002

RECOMMENDATIONS

The Committee considered and approved the final draft recommendations as follows:-

(i) Kenya Railways Corporation - 1997/98 Accounts.

(ii) **Sisal Board of Kenya - 1996/97 Accounts.**
(iii) **National Museums of Kenya - 1998/99 Accounts.**

MIN. NO.20/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at Six O'clock until Tuesday July 02, 2002 at 9.00 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)
SIGNED .....
(CHAIRMAN)

8th August, 2002
DATE .....

MINUTES OF THE EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT LAKE BOGORIA HOTEL ON TUESDAY, JULY 02, 2002 AT 9.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Moses Muihia, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Chege Mbitiru, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Ochilo Ayacko, M.P.
The Hon. Maoka Maore, M.P.
The Hon. Eric T. Morogo, M.P.

ABSENT WITH APOLOGY

The Hon. Abubakar M. Badawy, M.P.
The Hon. Mohammed D. Weyrah, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

CONTROLLER AND AUDITOR-GENERAL

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)

INSPECTORATE GENERAL (CORPORATIONS)

Mr. R.O. Onyuna	-	Senior Economist

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary.

MIN. NO.21/2002 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) **Nyayo Tea Zones Development Corporations - 1994/95 Accounts.**

(ii) **Communications Commission of Kenya - 1999/2000 Accounts.**

(iii) **Kenya Broadcasting Corporation - 1998/99 Accounts.**

(iv) **Agricultural Development Corporation and its Subsidiary Lands Limited - 1996/97 Accounts .**

(v) **Kenya Bureau of Standards - 1995/96 Accounts.**

MIN. NO.22/2002 **ISSUE TO RAISE WITH THE 'BIG FIVE'**

The Committee resolved to raise with the 'Big Five' the issue of Communications Commission of Kenya's two Karen plots - LR Nos.12445 and 12550 which were inherited from the defunct Kenya Posts and Telecommunications Corporation but whose titles have not been transferred to the Commission.

MIN. NO.23/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at fifteen minutes past One O'clock until this afternoon at 2.30 p.m.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Moses Muihia, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Chege Mbitiru, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Ochilo Ayacko, M.P.
The Hon. Maoka Maore, M.P.
The Hon. Eric T. Morogo, M.P.

ABSENT WITH APOLOGY

The Hon. Abubakar M. Badawy, M.P.
The Hon. Mohammed D. Weyrah, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

CONTROLLER AND AUDITOR-GENERAL

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)

INSPECTORATE GENERAL (CORPORATIONS)

Mr. R.O. Onyuna	-	Senior Economist

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary.

MIN. NO.24/2002 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) Kenya Tourist Board - 1998/99 Accounts
(ii) Kenya Medical Research Institute - 1998/99 Accounts
(iii) Electricity Regulatory Board - 1999/2002 Accounts
(iv) Kenya Ports Authority Paragraphs 1-5 of the 1998/99 Accounts.

MIN. NO.25/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at Five O'clock until Wednesday July 03, 2002 at 10.00 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

8th August, 2002

DATE .....

MINUTES OF THE NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT LAKE BOGORIA HOTEL ON WEDNESDAY, JULY 03, 2002 AT 10.30 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Moses Muihia, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Chege Mbitiru, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Ochilo Ayacko, M.P.
The Hon. Maoka Maore, M.P.
The Hon. Eric T. Morogo, M.P.

ABSENT WITH APOLOGY

The Hon. Abubakar M. Badawy, M.P.
The Hon. Mohammed D. Weyrah, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

CONTROLLER AND AUDITOR-GENERAL

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)

INSPECTORATE GENERAL (CORPORATIONS)

Mr. R.O. Onyuna	-	Senior Economist

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary.

MIN. NO.26/2002 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) **Kenya Ports Authority paragraphs 6-8 of the 1998/99 Accounts.**

(ii) **National Water Conservation and Pipeline Corporation of the 1997/98 Accounts.**

(iii) **Kenya National Examinations Council of the 1998/99 and 1999/2000 Accounts**

(iv) **National Housing Corporation of the 1997/98 Accounts.**

MIN. NO.27/2002 **ISSUE TO RAISE WITH THE 'BIG FIVE'**

The Committee resolved to raise the following issues with the 'Big Five':-

(i) investments of funds by State Corporations in financial institutions, in contravention of Treasury Circulars;

(ii) affordability of water by Kenyans in the light of high power tariffs and the plan by National Water Conservation and Pipeline Corporation to revise water tariffs upwards; and

(iii) initiation of capital projects by State Corporations without sufficient budgetary provision to complete the projects.

MIN. NO.28/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at thirty-five minutes past One O'clock until this afternoon at 4.30 p.m.

AFTERNOON SITTING

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Moses Muihia, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Chege Mbitiru, M.P.
The Hon. Ochilo Ayacko, M.P.
The Hon. Maoka Maore, M.P.
The Hon. Eric T. Morogo, M.P.

ABSENT WITH APOLOGY

The Hon. Grace Mwewa, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Abubakar M. Badawy, M.P.

The Hon. Mohammed D. Weyrah, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

CONTROLLER AND AUDITOR-GENERAL

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)

INSPECTORATE GENERAL (CORPORATIONS)

Mr. R.O. Onyuna	-	Senior Economist

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary.

MIN. NO.29/2002 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) **Kenya Sugar Authority and Sugar Development Fund - 1998/99 Accounts.**

(ii) **Agricultural Finance Corporation and its subsidiary, Agency for Seasonal Crop Credit - 1997/98 Accounts.**

MIN. NO.30/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at twenty five minutes past Six O'clock until Thursday July 04, 2002 at 8.30 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

8th August, 2002

DATE .....

MINUTES OF THE TENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT LAKE BOGORIA HOTEL ON THURSDAY, JULY 04, 2002 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Moses Muihia, M.P.
The Hon. Chege Mbitiru, M.P.
The Hon. Maoka Maore, M.P.
The Hon. Eric T. Morogo, M.P.

ABSENT WITH APOLOGY

The Hon. Ali I. Shaaban, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Ochilo Ayacko, M.P.
The Hon. Abubakar M. Badawy, M.P.
The Hon. Mohammed D. Weyrah, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. M.R. Sialai	-	Clerk Assistant I
Mrs. Serah Kioko	-	Clerk Assistant III

CONTROLLER AND AUDITOR-GENERAL

Mr. S.M. Maluki	-	Auditor-General (Corporations)
Mr. E.N. Wambugu	-	Deputy Auditor-General (Corporations)

INSPECTORATE GENERAL (CORPORATIONS)

Mr. R.O. Onyuna	-	Senior Economist

DEPARTMENT OF GOVERNMENT INVESTMENTS AND PUBLIC ENTERPRISES (DGIPE)

Mr. C.S. Barasa	-	Deputy Secretary.

MIN. NO.31/2002 **RECOMMENDATIONS**

The Committee considered and approved the final draft recommendations as follows:-

(i) **Kenya Agricultural Research Institute - 1997/98 Accounts.**

(ii) **Kerio Valley Development Authority - 1997/98 Accounts.**

(iii) **Nzoia Sugar Company - 1994/95 and 1995/96 Accounts.**

MIN. NO.32/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at fifteen minutes past Twelve O'clock until a date to be decided upon later.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

8th August, 2002

DATE .....

MINUTES OF THE ELEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7 PARLIAMENT BUILDINGS ON THURSDAY JULY 25, 2002 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Moses Muihia, M.P.
The Hon. Chege Mbitiru, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Mwangi Kiunjuri, M.P.
The Hon. Ochilo Ayacko, M.P.
The Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY

The Hon. Maoka Maore, M.P.
The Hon. Mohammed D. Weyrah, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Eric T. Morogo, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mrs. Serah Kioko - Clerk Assistant III

MIN. NO.33/2002 **CONFIDENTIALITY OF COMMITTEE PROCEEDINGS.**

Making reference to the provisions of Standing Order N0.161, the Committee emphasized the need to observe confidentiality in relation to its proceedings and cautioned two Parliamentary Interns who were in attendance against divulging any information related to the Committee deliberations outside the Committee venue.

MIN. NO.34/2002 **CONFIRMATION OF MINUTES.**

The Committee resolved to confirm all the minutes which were not confirmed on Thursday August 08, 2002 at 10.00 a.m.

MIN. NO.35/2002 **CONSIDERATION OF THE FINAL DRAFT OF THE ELEVENTH REPORT.**

The Committee resolved to consider the final draft of the Eleventh Report on Thursday August 08, 2002 at 10.00 a.m.

MIN. NO.36/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at twenty five minutes past Eleven O'clock until Thursday August 08, 2002 at 10.00 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

8th August, 2002

DATE .....

MINUTES OF THE TWELFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON THURSDAY, AUGUST 08, 2002 AT 10.00 A.M.

PRESENT

The Hon. Wafula Wamunyinyi, M.P. (Chairman)
The Hon. Ochilo Ayacko, M.P.
The Hon. Maoka Maore, M.P.
The Hon. Moses Muihia, M.P.
The Hon. Abubakar M. Badawy, M.P.

ABSENT WITH APOLOGY

The Hon. Mwangi Kiunjuri, M.P.
The Hon. Ali I. Shaaban, M.P.
The Hon. Grace Mwewa, M.P.
The Hon. Chege Mbitiru, M.P.
The Hon. Mohammed D. Weyrah, M.P.
The Hon. Eric T. Morogo, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mrs. Serah Kioko - Clerk Assistant III

MIN. NO.37/2002 **CONFIRMATION OF MINUTES**

Minutes of the previous sittings of the Committee were confirmed by the Members present and signed by the Chairman as follows:-

(i) the thirty fourth sitting held on Wednesday February 27, 2002.;
(ii) the thirty fifth sitting held on Tuesday March 05, 2002;
(iii) the thirty seventh sitting held on Thursday March 07, 2002;
(iv) the thirty eighth sitting held on Friday March 15, 2002;
(v) the thirty ninth sitting held on Thursday March 21, 2002;
(vi) the fortieth sitting held on Friday April 05, 2002;
(vii) the fourth sitting held on Friday, June 14, 2002;
(viii) the fifth sitting held on Friday June 21, 2002 ;
(ix) the sixth sitting held on Friday June 28, 2002;
(x) the seventh sitting held on Monday July 01, 2002;
(xi) the eighth sitting held on Tuesday July 02, 2002;

(xii) the ninth sitting held on Wednesday July 03, 2002;
(xiii) the tenth sitting held on Thursday July 04, 2002;
(xiv) the eleventh sitting held on Thursday July 25, 2002;

MIN. NO.38/2002 **CONSIDERATION OF THE FINAL DRAFT OF THE ELEVENTH REPORT**

The Committee considered and approved the final draft of its Eleventh Report with the following amendments:-

(i) **paragraph I of the 1998/99 Accounts of the Kenya Ports Authority.**

The Committee resolved that recommendations on paragraph 1 of the 1998/99 Accounts of Kenya Posrts Authority be expunged from the Eleventh Report and further that the paragraph be considered afresh by the next Committee.

(ii) **the Electricity Regulatory Board – 1999/2000 Accounts.**

The Committee resolved that recommendations on the 1999/2000 Accounts of the Board be expunged from the Eleventh Report and further that the Accounts be considered afresh by the next Committee.

MIN. NO.39/2002 **SITTING PROGRAMME**

The Committee instructed the Secretariat to prepare a draft sitting programme for consideration by the Committee on Thursday August 15, 2002.

MIN. NO.40/2002 **COMMITTEE EXPENDITURE FOR THE 2001/2002 FINANCIAL YEAR**

The Committee expressed concern over a report by the Liaison Committee that the Public Investment Committee (PIC) had spent more funds than what was allocated to it. Consequently, the Committee instructed the Secretariat to submit an analysis of the expenditure by PIC during the 2001/2002 financial year.

MIN. NO.41/2002 **ADJOURNMENT**

The Chairman adjourned the Sitting at fifty minutes past Eleven O'clock until Thursday, August 15, 2002 at 9.00 a.m.

Hon. Wafula Wamunyinyi, M.P. (Chairman)

SIGNED .....

(CHAIRMAN)

8th August, 2002

DATE .....

ANNEX - B

CORPORATIONS EXEMPTED

FROM THE

STATE CORPORATIONS ACT.

LIST OF STATE CORPORATIONS EXEMPTED FROM THE STATE CORPORATIONS ACT (CAP.446)

	Name	Remarks
1.	Kenya Commercial Bank Limited	Legal Notice No.59 of 25/2/87
2.	Kenya Commercial Finance Corporation Limited	Legal Notice No.59 of 25/2/87
3.	Savings and Loans (K) Limited	Legal Notice No.59 of 25/2/87
4.	National Bank of Kenya Limited	Legal Notice No.59 of 25/2/87
5.	Kenya National Capital Corporation (KENYAC)	Legal Notice No.59 of 25/2/87
6.	Kenya National Assurance Company Limited	Legal Notice No.59 of 25/2/87
7.	Town Properties	Legal Notice No.59 of 25/2/87
8.	Kenya Re-Insurance Corporation	Legal Notice No.59 of 25/2/87
9.	Kenya Re-Properties Limited	Legal Notice No.59 of 25/2/87
10.	WEDCO Limited	Legal Notice No.59 of 25/2/87
11.	Kenya Post Office Savings Bank	Legal Notice No.235 of 18/6/90
12.	Consolidated Bank of Kenya	Legal Notice No.236 of 19/6/90
13.	Central Bank of Kenya	Legal Notice No.245 of 11/8/89
14.	Kenya Shipping Lines Limited	Legal Notice No.116 of 29/3/89
15.	Kenya Airways Limited	Legal Notice No.219 of 24/5/91
16.	Kenya Airfreight Handling Company Limited	Legal Notice No.219 of 24/5/91

17.	Kenya Flamingo Airways Limited	Legal Notice No.219 of 25/5/91
18.	Kenya Wine Agencies Limited	Legal Notice No.414 of 2/12/93
19.	General Motors Limited	Legal Notice No.245 of 11/8/89
20.	National Social Security Fund	Legal Notice No.288 of 28/9/94
21.	Kenya Wildlife Service	Legal Notice No.337 of 2/11/93
22.	Kenya Airports Authority	Legal Notice No.43 of 16/3/96
23.	Kenya Ports Authority	Legal Notice No.43 of 16/3/96
24.	National Cereals and Produce Board	Legal Notice No.43 of 16/3/96
25.	Kenya Posts and Telecommunications Corporation	Legal Notice No.43 of 16/3/96
26.	Kenya Power and Lighting Company	Legal Notice No.43 of 16/3/96
27.	Mumias Sugar Company Limited	Legal Notice No.44 of 16/3/96
28.	Chemelil Sugar Company Limited	Legal Notice No.44 of 16/3/96
29.	Kenya Power Company	Legal Notice No.23 of 7/3/97
30.	Tana River Development Authority	Legal Notice No.23 of 7/3/97
31.	Kenya Utalii College *(exempt only from Sub-Sections 3 and 4 of Section 5 of the Act)*	Legal Notice No.172 of 24/2/92
32.	Kenya Broadcasting Corporation	Legal Notice No.4069 of 2/7/94
33.	African Tours and Hotels Limited	Legal Notice No.58 of 9/4/96
34.	Capital Markets Authority	Legal Notice No.105 of 10/3/97
35.	Kenya Pipeline Company Limited	Legal Notice No.104 of 19/6/97
36.	Capital Markets Authority	Legal Notice No.105 of 19/6/97
37.	The Kenya Ordnance Factories	Legal Notice No.522 of 28/11/97

38.	Nyayo Tea Zones Development Corporation *(exempt only from Section 5(3)*	Legal Notice No.86 of 12/6/98
39.	Kenya Tourist Board *(exempt only from Section 5(3)*	Legal Notice No.102 of 23/6/98

REPORT OF THE PUBLIC INVESTMENTS COMMITTEE ON THE VISIT TO THE PARLIAMENT OF INDIA IN NEW DELHI

INTRODUCTION

The Public Investments Committee whose function is to examine the working of public investments exercises this function through considering:-

(a) Reports and Accounts of State Corporations and Statutory Boards;

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

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

In its endeavour to improve its effectiveness in exercising this very important function, the Committee resolved to visit various Parliaments within the Commonwealth, which have Committees with similar functions in order to find out how such committees operate with a view to adopting what would be beneficial to the Committee.

Of paramount importance to the Committee was finding out the process of implementation of committee reports and what avenues were available for implementation follow-up.

Parliaments of the following countries were specified to be visited by the Committee:-

(i) India/Sri Lanka
(ii) Singapore/Malaysia
(iii) United Kingdom/Belgium
(iv) Zambia/Zimbabwe/South Africa

The Committee made the first visit, which was to India, from December 09, 2001 to December 15, 2001 and plans to undertake the other remaining visits during the year 2002.

While in India, the Committee paid a courtesy call to the Kenya High Commission in New Delhi where it met with the High Commissioner H.E. Lazarus Amayo and other Mission staff and was briefed on the Kenya/India relations. The Committee, also, had occasion to attend Jamhuri Day Celebrations in New Delhi which were organised by the Kenya High Commission.

The Committee would like to thank the management of the Parliament of India for accepting to host the Committee, Members of the Public Undertakings and Public Accounts Committees for the useful and informative exchange of views with the Committee, the Secretariat of the Committee on Public Undertakings for providing very useful insights into the operations of the Committee on Public Undertakings and the

Comptroller and Auditor-General for briefing the Committee about the operations of his office.

The Committee would also wish to thank the Kenya High Commissioner in India H.E. Lazarus Amayo for providing necessary logistic support to the Committee while in India.

Membership of the delegation that visited the Parliament of India is as follows:-

The Hon. Wafula Wamunyinyi, M.P.- Member for Kanduyi (Ford-K) (Chairman)
The Hon. Geoffrey M. Parpai, M.P.-Member for Kajiado South (DP)
The Hon. David Komber, M.P.-Member for Magarini (KANU)
The Hon. Justin B.N. Muturi, M.P.-Member for Siakago (KANU)
The Hon. John M. Katuku, M.P.-Member for Mwala (SDP)
Mrs. Serah M. Kioko - Clerk Assistant.

VISIT TO THE LOK SABHA (LOWER CHAMBER) AND RAJYA SABHA (UPPER CHAMBER) IN NEW DELHI

The Committee had the opportunity to attend a Sitting of both the Lok Sabha and Rajya Sabha but was not able to follow the proceedings because they were marred by lack of order and both Chambers of the House had to be adjourned to a later time.

The two Chambers of the House are located in the Parliament House. The Lok Sabha Chamber has a Sitting accommodation for 550 Members and all Political Parties in Parliament are allocated seats in proportion to their strength in the House. The Government Party occupies seats on the right of the Chair and Opposition Parties to the left of the Chair.

The Constitution of India provides that the Lok Sabha shall consist of not more than 530 Members chosen by direct election from territorial constituencies in the states; not more than 20 Members to represent the Union Territories chosen, in such a manner as parliament may by law provide and not more than 2 Members of the Anglo-Indian Community nominated by the President if he is of the opinion that the community is not adequately represented in the Lok Sabha.

The Lok Sabha Chamber is equipped with simultaneous interpretations system which enables members to listen to the English Version of a Hindi Speech, Hindi version of an English Speech and English as well as Hindi versions of speeches made in other local languages. For this purpose each seat is provided with an earphone and a language selector switch by using which a member can follow the proceedings in the language of his/her choice.

The simultaneous interpretation is provided by Parliamentary Interpreters whose booths are located in the Chamber.

Procedure in the Lok Sabha is regulated by the Rules of Procedure and Conduct of Business and the Directions issued of Mr. Speaker from time to time.

Items of business, notice of which is received from Ministers/Private Members and admitted by the Speaker are included in the daily list of Business which is printed and circulated to Members in advance. For various items of business to be taken up in the House, the time is allotted by the House on the recommendation of the Business Advisory Committee.

The Rajya Sabha is the Upper House of Parliament and has not more than 250 Members who are elected by the Legislative Assemblies of various States. Every State is allocated a certain numbers of members all of whom must not be under 30 years of age.

Twelve members are nominated by the President from amongst persons who have earned distinction in the fields of literature, art, science and social service. Unlike the Lok Sabha, the Rajya Sabha is not subject to dissolution but one third of its members retire every two years.

There are 245 Members in Rajya Sabha, distributed among different States and Union Territories. The Vice-President of India is the Ex-officio Chairman of Rajya Sabha and is elected by the Members of an Electoral College consisting of Members of both Houses of Parliament.

MEETING WITH MEMBERS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

The delegation had a valuable exchange of views with Members of the Committee on Public Undertakings (PUC) which is equivalent of PIC in Kenya. Issues discussed were wide ranging and included among others:- Committee operations, gender representation in Parliament and welfare of Indians living in Kenya.

Regarding the Committee on Public Undertakings the delegation was informed that the PUC consists of 22 members - 15 of whom are from the Lok Sabha and 7 from the Rajya Sabha, elected from amongst their Members according to the principle of proportional representation by means of a single transferable vote, and that the chairman is appointed by the Speaker from amongst the Members of the PUC. The term of the Committee does not exceed one year and Ministers are not eligible to become members of the Committee.

The functions of the Committee are similar to those of the Public Investments Committee except that the PUC also exercises other specified functions vested in the Public Accounts Committee and the Estimates Committee in relation to the Public Undertakings which are from time to time allotted to PUC by the Speaker. The Committee was

further informed that in carrying out its work, PUC selects for examination such public undertakings or subjects as it may deem fit but which are within its terms of reference. The PUC from time to time appoints study group(s) for carrying out detailed examination of various subjects and also undertakes on-the-spot study tours of particular projects when necessary. During the tours only the informal discussions are held. Interested groups may also meet the PUC informally during such tours. Such groups and non-official organisations can also submit memoranda and other relevant information on the various subjects of discussion by the PUC.

The Committee heard that after receiving all the necessary information the PUC invites witnesses to give evidence at formal sittings organised by it. No information or evidence received by the Committee is disclosed to any unauthorised person until the report of the Committee is presented to the House. The observations/recommendations of the Committee are embodied in reports which are presented to Parliament and relevant Ministries/Undertakings concerned are required to act on various recommendations contained in the reports. There is an Action Taken Sub-Committee which examines Government responses to Committee reports and submits an Action Taken Report to the House. The Action-Taken-Subcommittee considers an Action-Taken-Draft-Report prepared by the Secretariat of the Committee on the basis of the reply of the Government on Committee recommendations.

The Sub-Committee may hold informal meetings with the Comptroller and Auditor-General or the Audit Board to seek clarification on any points contained in the replies of Government to Committee reports.

The Comptroller and Auditor-General or his representative may be present when the Draft Action-Taken-Report is considered by the Sub-Committee.

MEETING WITH MEMBERS OF THE COMMITTEE ON PUBLIC ACCOUNTS

As in the meeting with the Committee on Public Undertakings, the Committee met and held informative discussions with Members of the Public Accounts Committee (PAC). These discussions were not centred on Committee work *perse* but also touched on other issues such as the need to equip Members of Parliament with information technology, regional disparities and the challenges associated and research assistance for Members of Parliament.

Concerning the Public Accounts Committee, the delegation was informed that the Committee has a membership of 22, that is, 15 members of Lok Sabha elected by the House each year from amongst its Members according to the principle of proportional representation by means of single transferable vote and 7 members of Rajya Sabha nominated by that House for being associated with the Committee. The Chairman who is by practice from the opposition is appointed by the

Speaker from amongst Members of the Lok Sabha. The Committee has a life span of one fiscal year.

The Committee heard that PAC scrutinises the Appropriation Accounts and the Reports of the Comptroller and Auditor-General thereon. It also examines cases involving losses, nugatory expenditure and financial irregularities. While scrutinising the Reports of the Comptroller and Auditor-General on Revenue Receipts, the Committee examines various aspects of Government tax administration. In carrying out its mandate, it summons representatives of Ministries to appear before it when it takes up examination of the Accounts and Audit Reports relating to their ministries. The PAC may appoint a sub-committee(s) to examine any particular matter and like the Committee on Public Undertakings it can also appoint working groups to facilitate the examination of various Accounts and Audit Reports and a sub-committee to consider the action taken by the Government on the recommendations of its previous Reports. On-the-spot study tours are also carried out by the committee as and when need arises. All Committee deliberations are treated as confidential and should are divulged until the Committee presents its Report to the House.

The Government is expected to take action on the recommendations of the Committee and keep it informed of the action taken or proposed to be taken.

MEETING WITH THE SECRETARIAT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

The Committee had an occasion to meet with the Secretariat of the Public Undertakings Committee, during which time it was briefed on the finer details of the internal working procedures of the Committee on Public Undertakings.

The Committee was informed that selection of subjects for consideration by the PUC is done by the Committee during its first sitting. For the purpose of selection a memorandum is placed before the committee giving details of the Public Undertakings under various Ministries/Departments indicating the investment in each of them and their profitability during the last 3 years, undertakings already examined by the previous Committee, those not examined so far and those whose detailed appraisal appear in the Audit Reports (Commercial). The memorandum also gives details on the list of reports on Horizontal subjects presented to Parliament. After considering the memorandum the committee selects the subjects/undertakings for consideration during year. Undertakings/Subjects for consideration are grouped into the following categories:-

(i) Undertakings/Subjects whose comprehensive appraisal appear in the Audit Report (Commercial) presented to Parliament by the Comptroller and Auditor-General;

(ii) Undertakings/Subjects for independent examination; and

(iii) Reports on Horizontal subjects presented to Parliament. These normally relate to general aspects of working of various public undertakings.

Committee reports are prepared regularly and numerous reports are presented to the Lok Sabha in one fiscal year. Ordinarily Committee reports are presented to the House but in cases where the Committee completes its works when the House is not in Session, the Chairman may present it to the Speaker and later to the House when it reconvenes but with a brief statement that it was presented to the Speaker who gave orders for its printing, publication and circulation under stipulated provision.

In case the House is dissolved before the report is tabled, the report is laid on the Table of the new House by the Secretary-General at the earliest convenient opportunity.

Implementation of Committee Recommendations

The Committee was informed that after presentation of a Committee report to the House, a copy is forwarded to the Ministry/Department/Undertaking concerned who are required to submit to the Lok Sabha Secretariat a statement showing the action taken by them on the recommendations contained in the report normally within six months from the date of presentation of the Report or within the time stipulated in the Report itself.

The replies of the Government to the recommendations contained in the Report of the Committee are required to be vetted by the Comptroller and Auditor-General before being furnished to the Committee.

The Statement showing the action taken by the Government on the recommendations contained in the Report of the Committee is examined and a draft Action-Taken-Report is prepared by the Secretariat consisting of five Chapters as follows:-

(i) observations and recommendations meriting comments from the Committee;
(ii) recommendations which have been accepted by the Government;
(iii) recommendations which the Committee do not desire to pursue in view of Government's reply;
(iv) recommendations in respect of which replies of the Government have not been accepted by the Committee; and
(v) recommendations in respect of which final replies of the Government have not been received.

The Draft report is considered by the Action-Taken-Sub-Committee after whose approval it is circulated to members of the Committee specifying any point which in the opinion of the Action-Taken-Sub-Committee requires consideration by the Committee.

In case of Action-Taken-Report based on the Audit Reports, the draft report is forwarded to the Comptroller and Auditor-General for factual verification.

The report is then adopted by the Committee and presented to House in the usual manner.

After presentation to the House, copies of the Action-Taken-Report are sent to the Ministry/Undertaking concerned to furnish as early as possible statements of action taken or proposed to be taken by them on the recommendations contained in the Action-Taken-Report.

The replies so received are consolidated in the form of a statement and after Chairman's approval laid on the Table of both Houses.

MEETING WITH THE COMPTROLLER AND AUDITOR-GENERAL (C&AG)

The Committee met the Comptroller and Auditor-General of India in the company of other senior officials of his office. During the meeting, the Committee was briefed on the operations of the office of the C&AG of India. The Committee was informed that the Comptroller and Auditor-General of India is the supreme audit authority in the country and that his office is established pursuant to Section 148 of the Constitution of India whose provisions safeguard his independent functions.

By these provisions, the C&AG is appointed by the President of India by his warrant under his hand and seal and that his oath of office requires him to uphold the Constitution of India and the laws made thereunder. He can be removed from office only on grounds of misbehaviour or incapacity after an address by both Houses of Parliament supported by a two-thirds majority and his salary and conditions of service cannot be varied to his disadvantages after appointment. He is not eligible for reappointment and cannot hold another office under the Government of

India or any State after retirement. His administrative powers and the conditions of service of persons serving under him are prescribed by the President only after consulting him and the administrative expenses of his office are charged upon the Consolidated Fund of India and are not subject to being voted by Parliament. The C&AG is vested with the authority to promoting officers who serve under him and they cannot be transferred to other Government offices.

The Committee heard that the C&AG is neither part of the Legislature nor the Executive but an officer created by the Constitution to see that various authorities act in regard to financial matters in accordance with the constitution and the laws and rules framed thereunder.

22 The Committee was informed that the C&AG is the most important instrument of accountability with the dual role to perform. Firstly, on behalf of the Legislature, to ensure the Executive complies with the financial laws in letter and spirit and secondly on behalf of the Executive to ensure compliance by surbodinate authorities with the regulations issued by his office as the head of the Indian Audit and Accounts Department.

The Committee was further informed that the C&AG plays a key role in the functioning of the financial Committees of Parliament and State Legislatures. His reports which are produced yearly generally form the basis of the Committees' working although the Committees are not precluded from examining issues not brought in his report.

He assists the Committees by furnishing Memorandum of Important Points (MIP) on cases selected for detailed examination which helps in framing or questionnaires for oral evidence of witnesses summoned by the Committees. During examination of witnesses, he helps the Committees in ascertaining the correct facts and provides additional information relevant to the examinations.

COMMITTEE RECOMMENDATIONS

The Committee made the following recommendations in the light of the purpose of its visit:-

(i) **that the public should be kept informed about its programme of sittings through the press so that any member of the public having useful information about the various public investments scheduled for examination by the Committee can communicate such information to the Committee for its consideration.**

(ii) **that as and when need arises, the Committee should form study groups for carrying out detailed examination of specific issues affecting various state corporations.**

(iii) **that a Sub-committee on the Implementation Status and Action-Taken-Reports on the various past recommendations adopted by the House be formed in order to follow up the action being taken by the Government to implement the decisions made by Parliament in its oversight role.**

(iv) that public investments for consideration by the Committee be grouped according to the nature of their work so that those dealing with subjects that are related are grouped together so that from these groupings, the Committee can select subjects for its examination.

(v) That as and when the Committee considers issues that require urgent remedial action, the Committee should make special reports to the House without having to wait until a combined report on all public investments examined by the Committee is made.

STUDY TOUR TO MALAYSIA

After touring the Parliament of India the Committee undertook the second study tour to Malaysia as from 24th to 29th March, 2002.

The delegation comprised the following:-

Hon. Wafula Wamunyinyi, M.P.	**(Chairman)**
Hon. Mwangi Kiunjuri, M.P.	Member
Hon. Ali I. Shaaban, M.P.	Member
Hon. Abubakar M. Badawy, M.P.	Member
Hon. Ochilo Ayacko, M.P.	Member
Hon. Sayyid Amin, M.P.	Member
Hon.J.B.N. Muturi, M.P.	Member
Hon. Grace Mwewa, M.P.	Member
Mr. Michael Sialai	Secretary

During the tour they had a courtesy call on the Kenyan High Commissioner to Malaysia His Excellency James K. Karuga and the Speaker of the 'Dewan Rakyat' (House of Representative) His Excellency Tun Dr. Mohammed Zahir bin Haji Ismail.

The Committee learnt from the two that, Malaysia which attained independence in 1957, was originally an agricultural state but has since developed into an information technology state.

The Committee was briefed by the following departments:- Economic Planning Unit, Ministry of International Trade and Industry, Office of the Auditor-General and the Anti-Corruption Agency.

PARLIAMENT OF MALAYSIA

Malaysia practices parliamentary Democracy with a Constitutional Monarch and its Parliament consists of two Houses, the Senate (Dewan Negara) and the House of Representatives (Dewan Pakyat).

SENATE

It comprises of 69 members of which 2 members are elected by each of the 13 State Legislative Assemblies and 43 are appointed by the King on grounds of their experience and wisdom, or to represent special interests. They serve a three year term which could be extended to two terms.

HOUSE OF REPRESENTATIVES.

Dewan Rakyat has 193 members, each representing a constituency and they serve for a term of five years.

PUBLIC ACCOUNTS COMMITTEE

The Public Accounts Committee (PAC) is appointed by the Selection Committee at the beginning of every Session and it comprises of members drawn from the major parties represented in Parliament. The Committee's terms of reference as set out in the Standing Orders are:-

"To examine the public accounts of the Federation and such accounts of public authorities and other bodies administering public funds as may be laid before the House, and the reports of the Auditor General and such other matters as the Committee may think fit or which may be referred to the Committee by the House."

The Committee consist of Chairman, Vice-Chairman and not less than six and not more than twelve members. The Chairman is normally appointed from the ruling party. The work of the Committee depends to a large extent on the nature and scope of audit and the reports of the Auditor General in so far as they identify the issues relating to control and management of public finance.

Where a summons is sent to a Minister or Government, the Controlling Officer (PS) himself should, subject to the exigencies of the service, attend upon the Committee. However, he may be represented by his most senior officer accompanied by such minimum number of officers as he considers necessary to assist in giving evidence.

The proceedings of the Committee are closed to the public and evidence given or any documents produced before it may not be

discussed until after the Report of the Committee has been presented to the House and published.

BRIEFING BY ECONOMIC PLANNING UNIT (EPU)

The Economic Planning Unit (EPU) was established in 1961 to serve as a Secretariat for the preparation of medium and long-term development plans of the country.

EPU is also the Central Planning Agency responsible for approving programmes and projects and determining the allocation ceiling for national development. It also deals with privatisation programmes.

The functions of EPU includes:-

- Formulation of policies and strategies for socio-economic development.
- Preparation of meeting medium and long-term plans.
- Advise Government on economic issues.
- Plan and coordinate privatisation programme and evaluate its achievement.
- Monitor and evaluate investment activities to ensure they are in line with the corporate equity restructuring objective.

The Committee heard that the development plans of 1957 to 1970 centred on provision of medical and educational services, and in the

1980's, the plans were geared towards public sector rationalization and privatization. This led to accelerated industrialization, reduction of government deficits and increased life expectancy.

The Committee observed that development plans in Malaysia have succeeded as economic indicators were keenly watched and where there has been pitfall reasons for it are studied and remedies undertaken.

In order to streamline privatisation, an Act of Parliament to coordinate the privatisation programme was passed. Privatisation has been undertaken to accelerate economic growth, promote competition, efficiency and productive and to reduce public sector size and direct participation in the market place.

A proposed project for privatisation is sent to EPU which in turns transmit to Inter-Agency Privatization Committee for consideration. The proposal is finally taken to the Cabinet for consideration and approval.

Some of the projects that have been privatized include:-

- Expressway
- Light Rail Transit
- Ports
- National Sewerage System
- Sôlid Waste Management

- Independent Power Producers (IPP)
- Water Supply.

Since 1983, 457 projects have been privatized.

MEETING WITH THE AUDITOR-GENERAL

The Auditor-General of Malaysia is appointed by the King and may be appointed on contract basis after attaining the age of 55 but upto a limit of 65 years old. Once public officer has served as the Auditor-General, he is not eligible for any other appointment the service of the Federation or a state.

The Office of the Auditor-General has a staff compliment of 1,414 who are all under the jurisdiction of Public Service Commission.

The Auditor-General is allowed by law to appoint external (private) auditors to audit Public Investments and thereafter issue certificates. The National Audit Department, which is under the Auditor-General, is expected to enhance the standard of public accountability by providing information and assurance on the accountability relationship of the Government to Parliament through proper examination, timely and accurate reporting on the public account and the management of resources.

•The Department audits federal Government, State Governments, Federal Statutory Bodies, State Statutory Bodies, Local Authorities and Islamic Religious Councils.

The office also audits the accounts of any other bodies, including a company registered under the companies Act 1965, in respect of a grant or loan from the Federation or a state and including also a company where more than half its paid-up share capital is held by the Federation, a state or a public authority.

In carrying out performance audit, the Auditor-General ensures that funds are being administered in a manner which is consistent with established policies and procedure and that operations are managed with due to regard for economy and efficiency.

The Auditor-General submits reports on a yearly basis to the King for onward transmission to Parliament.Auditor-General, is expected to enhance the standard of public accountability by providing information and assurance on the accountability relationship of the Government to Parliament through proper examination, timely and accurate reporting on the public account and the management of resources.

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ANTI-CORRUPTION AGENCY MALAYSIA (ACAM)

The Anti-Corruption Agency of Malaysia (ACAM) was established in 1997 following the enactment of Anti-Corruption Act of 1997. Before the Agency was established, there existed a unit in the police force that fought corruption.

The Agency, whose mission is trustworthiness, firmness and fairness, has two main objectives:-

(i) formulation of ways and means of eradicating corruption.

(ii) Creating a corrupt-free Malaysian society based on high moral values and capable of taking the country the country towards the year 2020.

(iii) Combating corruption, abuse of power and mismanagment

Before the Anti-Corruption Agency (ACA), was established, there existed a unit in the Police force, called National Bureau of Investigation which fought corruption.

The ACAM operates under ACA Act of 1997, Penal Code, Police Act and the Customs Act. All ACA officers are deemed to be police officers.

The Agency which has an establishment of 1,227 personnel who are basically graduates, diploma graduates and senior secondary is headed by Director-General who is appointed by the King and the Department falls under the office of the Prime Minister.

The Agency vets appointments and awards for high levels in the Government while powers to prosecute lies with the Attorney General.

There is an Integrity Management Committee chaired by the Deputy Prime Minister which Co-ordinates fights against corruption.

The agency receives information from the following means:-

(1) Formal complaints/reports

(2) Anonymous letters

(3) Informers and police

(4) Telephone, official letters, personal letters and E-mail and Website.

The Committee observed that Corruption fighting has succeeded in Malaysia due to commitment by the Government.

Arising from the trip the Committee made the following observations and recommendations.

1. The Committee noted that, unlike in Malaysia where an Act of Parliament has been enacted to coordinate privatization programme, in Kenya no act has been passed to facilitate privatization process. As a result, the process has been abused leading to heavy losses of public funds.

   The Committee recommends that the entire spectre of privatization be halted until a bill on privatization is published and passed by Parliament.

2. The Committee observed with concern that lack of capacity building and proper remuneration has impacted negatively on the performance of the Office of the Controller and Auditor-General.

The Committee recommends that the office of the Controller and Auditor General be facilitated to have a well trained and remunerated staff in order to improve its auditing capacity.