



REPUBLIC OF KENYA

20 AUG 2015

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**Report
of the
Auditor-General
on the
Financial Statements
for
National Government
for the
Year 2014/2015**

*Paper Lead
By the Hon A. Suske, MP
(h.o.m) on Thurs 28.07.16
(pm)
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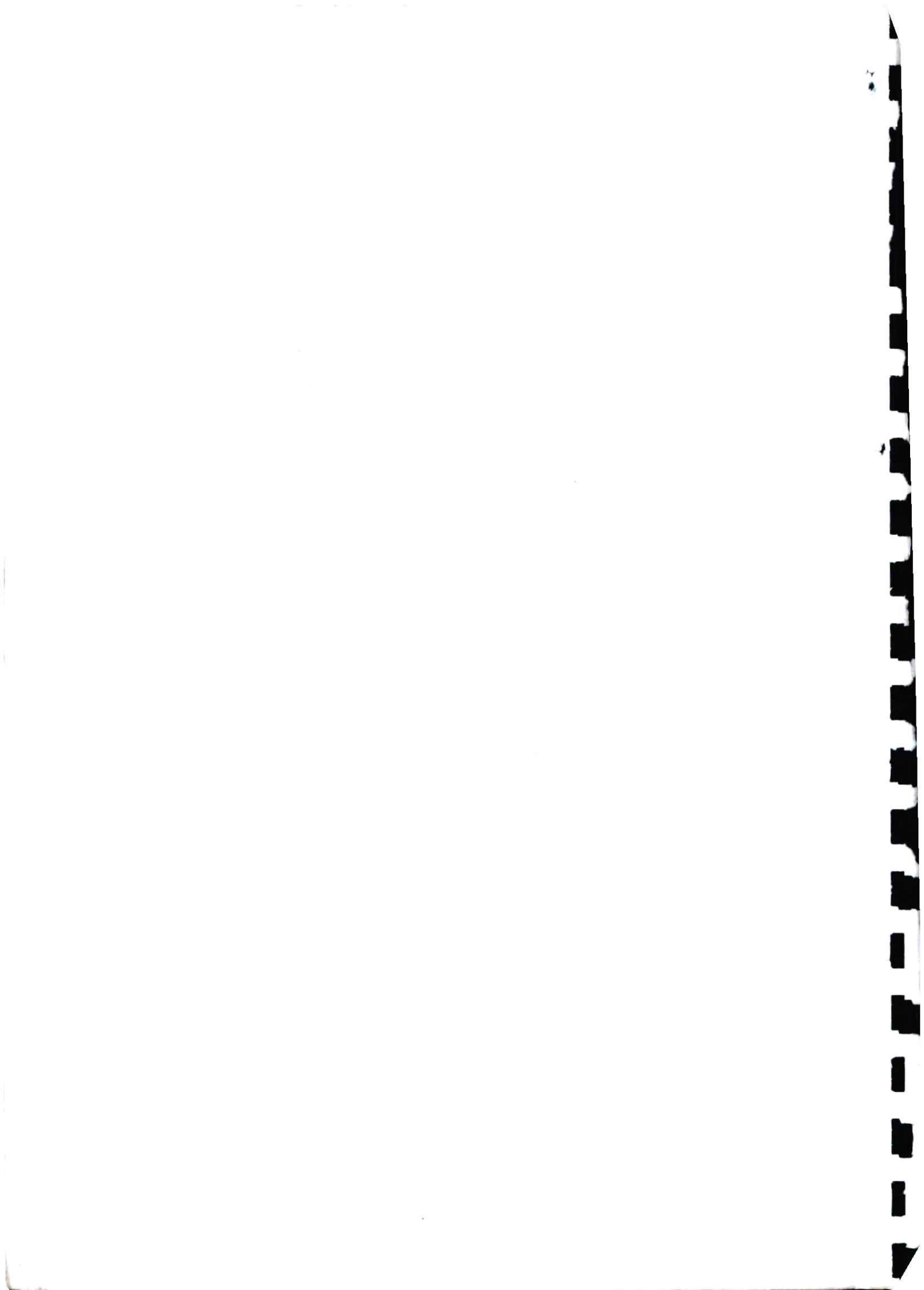


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THE NATIONAL TREASURY
FINANCIAL STATEMENTS FOR VOTE 107

Basis for Qualified Opinion

1. Unaccounted for Fuel for Leased National Police Service Vehicles

The statement of receipts and payments for the year ended 30 June 2015 reflects an expenditure of Kshs.14,866,425,403.00 in respect of use of goods and services. The amount of Kshs.14,866,425,403.00 includes Kshs.532,626,438.25 paid by the National Treasury for provision of fuel for leased National Police Service vehicles during the year under review. An audit inspection carried out in eighteen (18) County Headquarters, however, revealed various discrepancies between the monthly fuel invoices and the volume of fuel drawn as reflected in the motor vehicles record. As a result, fuel worth Kshs.17,736,793.46 was not properly accounted for. Under the circumstances, propriety of expenditure amounting to Kshs.17,736,793.46 incurred on provision of fuel for the leased National Police Service vehicles in the eighteen counties could not be confirmed.

2. Differences in Comparative Balances

The following comparative balances for 2013/2014 reflected in the financial statements for the year ended 30 June 2015 differ with the balances reflected in the audited financial statements for the year 2013/2014 as follows:-

Item	Comparative Balance 2013/2014 Kshs.	Audited Balance 2013/2014 Kshs.	Difference Kshs.
Bank Balances	2,107,424,878.00	2,597,702,939.15	490,278,061.15
Advances to other Ministries(MDAs)	2,103,428,891.00	1,804,229,228.00	299,199,663.00
Suspense Account	285,191,951.00	94,113,532.15	191,078,418.85
Net Cash Flow from Operating Activities	5,008,424,880.00	5,008,427,880.00	3,000.00
Prior Year Adjustments	992,787,861.00	-	992,787,861.00

No disclosure has been made in the notes to the financial statements regarding re-statement of these prior period balances including the reasons for their re-statement as required under International Public Sector Accounting Standard No. 3 on "Accounting Policies, Changes in Accounting Estimates and Errors".

3. Un-Cleared Balances

The statement of financial position as at 30 June 2015 reflects outstanding balances against various account items totalling Kshs.2,443,054,224.00 as shown below:-

Particulars	Amount (Kshs.)
District Suspense Accounts	672,374.00
Suspense Account	50,938,143.00
Advances to other Ministries	<u>2,391,443,707.00</u>
Total	<u>2,443,054,224.00</u>

No reasons have been provided for failure to clear the balances from the books of account.

4. Pending Bills

Bills amounting to Kshs.632,331,850.00 relating to 2014/2015 were not settled during the year but were instead carried forward to 2015/2016 financial year. Failure to settle the bills in the year to which they relate adversely affects the following year's provision to which they have to be charged.

5. Outstanding Imprests

The statement of financial position reflects outstanding imprests balance of Kshs.3,250,777.00 which ought to have been recovered or accounted for on or before 30 June 2015. No reasons have, however, been provided for failure to surrender or account for the imprests.

6. Bank Reconciliation Statements

(i) Recurrent Account

The bank reconciliation statement for the National Treasury's recurrent account No.1000181467 as at 30 June 2015 indicates that the cashbook balance is Kshs.13,836,202.25. This amount differs with the actual cashbook balance of Kshs.9,937,240.55 by Kshs.3,898,961.70.

(ii) Development Account

The bank reconciliation statement for the development account No.1000181664 as at 30 June 2015 indicates a cashbook balance of Kshs.21,665,581.55 which differs with the actual cashbook balance of Kshs.22,536,245.80 by Kshs.870,664.25. The difference has not been reconciled.

RECURRENT REVENUE

Basis for Qualified Opinion

7. Balance Carried Forward

The statement of revenues and transfers reflects a balance carried forward of Kshs.2,995,232,114.70 which includes an amount of Kshs.2,668,125,971.50 brought forward from 2013/2014 and previous years. Although the National Treasury has constituted a task force on clearance of old balances, a report dated 29 September 2015 issued by the task force does not show the progress made to analyze and clear the long outstanding balance carried forward from the books of account. In addition, no reason has been provided for failure to remit to the Exchequer Account a significant revenue balance of Kshs.2,995,232,114.70 as at 30 June 2015.

8. Arrears of Revenue

The financial statement reflects Arrears of Revenue due and uncollected as at 30 June 2015 of Kshs.194,951,716,541.16 compared to Kshs.164,712,793,632.92 reported as at 30 June 2014. The amount of Kshs.194,951,716,541.16 is made up of arrears for PAYE and Other Income Tax of Kshs.136,404,717,386.00, arrears for VAT and Excise Taxes of Kshs.21,603,491,849.00, arrears for Loan redemptions of Kshs.12,414,837,326.57 and arrears for loan interests of Kshs.24,528,669,979.59. Besides failure to collect the arrears, the National Treasury has not disclosed how it is addressing the persistent increase in arrears of revenue.

DEVELOPMENT REVENUE

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

NATIONAL EXCHEQUER ACCOUNT

Basis for Disclaimer of Opinion

9. Transfer of Proceeds from the Sovereign Bond to the National Exchequer Account

In the Report for 2013/2014, it was indicated that proceeds from the Sovereign Bond of USD 1,999,052,872.97 out of the total amount of USD 2,000,000,000.00 were received on 24 June 2014 and deposited into an offshore account, contrary to Article 206 of the Constitution of Kenya and Section 17(2) of Public Finance Management Act, 2012 which requires that all money raised or received by or on behalf of the National Government be paid into the Consolidated Fund.

It was further reported that, out of the balance in the offshore account of USD 1,999,052,872.97 as at 2 July 2014, an amount of USD 395,439,262.50 (Kshs 34,648,388,180.25) was on 3 July 2014 transferred to the Exchequer Account to fund infrastructure projects but accounted for in 2013/2014 financial year. On the same date of 3 July 2014 another amount of USD 604,560,737.50 (Kshs 53,201,344,900.00) was withdrawn from the offshore account to fund the repayment of a syndicate loan.

The annex to the National Exchequer Account statement of receipts and issues for the financial year ended 30 June 2015 shows that the remaining balance in the offshore account of USD 999,018,457.60 (Kshs 88,463,084,420.45) was on 8 September 2014 transferred to a Sovereign Bond Deposits Account at the Central Bank of Kenya. The annex further indicates that an additional amount from external borrowing of USD 815,436,932.00 (Kshs 73,805,196,715.30), being net proceeds from the tap sale, was also transferred on 17 December 2014 to the Sovereign Bond Deposits Account at the Central Bank of Kenya.

Further, the financial statements reflect under Note 5.5 net proceeds from commercial financing (Sovereign/Euro Bond) totalling Kshs 215,469,626,035.75 in the year 2014/2015. However, investigations into the receipts, accounting and use of funds related to the Sovereign/Euro Bond are still on-going and the accuracy of the net proceeds of Kshs 215,469,626,035.75 is yet to be ascertained.

CONTINGENCIES FUND

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

GOVERNMENT CLEARING AGENCY FUND

Basis for Disclaimer of Opinion

10. Unsupported Debtors and Creditors Balances

The statement of financial position as at 30 June 2015 reflects balances of Kshs 300,931,776.15 and Kshs 52,973,896.80 under Accounts Receivables - Debtors and Accounts Payables - Creditors respectively. However, these balances have not been supported with verifiable records and documents including debtors and creditors registers specifically. The creditors' balance has not been supported with contracts, Local Purchase/Service orders, invoices and delivery notes with the result that accuracy, completeness and validity of the balance could not be ascertained. Further, the debtors balance of Kshs 300,931,776.15 is net of a Clearance Account balance of Kshs 654,000,000.00 which, has also not been supported with any verifiable documents making it difficult to ascertain what it represents.

11. Unsupported Fund and Paymaster General Balances

The statement of financial position also reflects a brought forward Fund balance of Kshs 2,147,492.05 and a Paymaster General (PMG) overdraft balance of Kshs 245,810,387.30 which, as in the previous instance, have not been supported with verifiable documents including a bank balance confirmation certificate and a bank reconciliation statement, with the result that accuracy and validity of the balances could not be confirmed.

PETROLEUM DEVELOPMENT LEVY FUND

Basis for Adverse Opinion

12. Presentation and Disclosure of Financial Statements

The Petroleum Development Levy Fund financial statements prepared and submitted for audit do not fully conform to the International Public Sector Accounting Standards (Cash Basis) as prescribed by the Public Sector Accounting Standards Board. The financial statements do not include a statement of cash flows and a statement of comparative budget and actual amounts.

13. Uncleared Balance

The statement of financial position as at 30 June 2015 reflects a balance of Kshs 3,772,445,840.60 under Cash with P M G brought forward from 2013/2014 and previous years. Although the National Treasury has constituted a task force on clearance of old balances, a report dated 29 September 2015 issued by the task force does not show the progress made to analyze and clear this long outstanding balance from the books of account.

14. Bank Balance

The statement of financial position as at 30 June 2015 also reflects a bank balance of Kshs 1,365,012,262.60 while the Fund's cash book as at the same date indicates an amount of Kshs 1,061,873,075.15 resulting in an unexplained and unreconciled difference of Kshs 303,139,187.45. Consequently, the validity and accuracy of the cash book balance of Kshs 1,061,873,075.15 as at 30 June 2015 could not be ascertained.

RURAL ENTERPRISE FUND

Basis for Disclaimer of Opinion

15. Uncleared Balances

Following the winding up of the Rural Enterprise Fund through Legal Notice No 97 dated 29 June 2012, any amounts remaining in the Rural Enterprise Fund were to be paid into the Consolidated Fund. However, the National Treasury has not yet closed the Fund's books of account despite the Legal Notice and has continued to prepare and submit the Fund's financial statements for audit. The Fund's statements of financial position as at 30 June 2015 presented for audit continue to reflect a total amount of Kshs 397,908,774.30 under financial assets made up of balances of Kshs.394,559,879.30, Kshs.1,951,920.60, Kshs 108,839.70, and Kshs 1,288,134.70 against Account Receivables-Loanees, Cash with D C (Loans Repaid), Cash with D C (Interest on Loans) and Cash in the D.C'S Miscellaneous Deposit Account, respectively. A report dated June 2015 issued by the task force on winding up of dormant funds does not show the progress made to clear these balances and transfer the fund balance to the Consolidated Fund.

16. Unresolved Matters in the Report for 2013/2014

A review of the unsatisfactory matters highlighted in the report for 2013/2014 revealed that they remained unresolved during the year 2014/2015 as follows

16.1 Loan Beneficiaries

The statement of assets and liabilities as at 30 June 2013 and 2014 reflected a loan balance of Kshs 394,559,879.30, which included an amount of Kshs 220,013,036.70 that had not been analyzed to show the names of borrowers, amounts borrowed and amounts outstanding. Consequently, and in absence of the analysis, the completeness and correctness of the balance of Kshs 394,559,879.30 as at 30 June 2013 and 2014 could not be ascertained. Further, no interest on the loans outstanding as at 30 June 2013 and 2014 was accrued in the accounts.

16.2 Unbanked Cash

The statement also reflected unbanked cash balances totaling Kshs 3,348,895.00, brought forward from 2012/2013 and earlier years. According to information available the total amount comprised Kshs 1,951,920.60 representing cash with DC(Loans Repaid), Kshs.108,839.70 Cash with DC (Interest on Loans), and Kshs.1,288,134.70 relating to Cash in the DC'S Miscellaneous Deposit Account. Further, there was no evidence to confirm actual existence of the amount of Kshs 3,348,895.00 at the DC's Office.

In addition, the figure of Kshs 1,951,920.60 under DC (Loans Repaid) included advances amounting to Kshs 207,344.25 in form of IOUs issued in 1997/1998.

from the Fund to five officers working at the DC's Office, Kisumu. The IOUs had not, however, been surrendered as at 30 June 2015

16.3 Unreconciled Balance

The statement of assets and liabilities for deposits 07 as at 30 June 2013 reflected a debit balance of Kshs 1,828,387 65 in respect of the Fund, while the Fund Accounts for the same year showed a figure of Kshs 397,908,774 30 against the item. The significant difference of Kshs 396,080,386 65 between the two sets of records has not been reconciled or explained.

THE TREASURY MAIN CLEARANCE FUND

Basis for Adverse Opinion

17. Presentation and Disclosure of Financial Statements

The Treasury Main Clearance Fund's financial statements prepared and submitted for audit do not fully conform to the International Public Sector Accounting Standards (Cash Basis) as prescribed by the Public Sector Accounting Standards Board. The financial statements submitted do not include a statement of cash flows.

18. Accounts Receivables- Debtors

The Treasury Main Clearance Fund statement of financial position as at 30 June 2015 reflects an accounts receivables' balance of Kshs 12,503,607,445 65, which includes account balances totalling Kshs 2,332,188,394 25 that have not been analyzed as summarized.

Description of Account	Balance (Kshs)
003-National Treasury	7,931,690 15
013-Police Headquarters	170,879 35
019-Immigration Department	433,000.25
021-Pensions Department	(21,572,019 85)
032-Remittance to Crown Agent	2,341,896,517 60
049-Ministry of Planning	1,712,108 85
054-Remittance to Karachi Agent	132,319 40
055-Remittance to Bombay Agent	454,920.15
058-Fluorspar Company Ltd	1,028,978.35
Total	<u>2,332,188,394.25</u>

Consequently, the completeness and accuracy of the balance could not be ascertained. Further, no reason has been provided for the inordinate delay in recovery of debts amounting to Kshs 12,503,607,445 65 which have been due for many years.

19. Accounts Payables- Creditors

The statement of financial position also reflects an accounts payables' balance of Kshs 12,490,478,940 70. The balance includes amounts of Kshs 523,686 45 under PMG Special Account, Kshs 2,285,511,054 15 under Advance Deposits, Kshs 29,963,830 85 under Advance Deposits – Ministry of Information and Communications and Kshs.93,454 55 under JCF Interest all brought forward from 2013/2014 financial year. However, as reported in the previous years, these amounts have not been analyzed or supported with relevant documents. Consequently, the completeness and accuracy of the Creditors balance of Kshs 12,490,478,940 70 could not be ascertained.

20. Balance Brought Forward

The statement of financial position further reflects a brought forward balance of Kshs (871,495.05) which as reported in the previous years differs from the calculated figure of Kshs 2,949,863 30, being the difference between the amount received of Kshs 10,174,386,914 70 and the payments made of Kshs 10,171,437,051 40 as captured in the underlying records. The difference has not been reconciled or explained casting doubt on the accuracy of the Treasury Main Clearance Fund statement of financial position.

21. Winding Up of the Fund

Although the Fund is in the process of being wound up in line with the Public Accounts Committee recommendations and Treasury instructions on the requirement to wind up dormant Funds, no evidence has been made available to show the status of the winding up process.

STATEMENT OF INVESTMENTS BY THE CABINET SECRETARY/NATIONAL TREASURY

Basis for Adverse Opinion

22. Presentation and Disclosure of Financial Statements

The Statement of Investments by the Cabinet Secretary/Treasury in Various Companies as at 30 June 2015 prepared and submitted for audit do not fully conform with the International Public Sector Accounting Standards (Cash Basis) as prescribed by the Public Sector Accounting Standards Board. Statement of financial assets as at 30 June 2015 and statement of receipts and payments for the year then ended in respect of the investments have not been prepared and submitted for audit. In addition, significant accounting policies adopted in the preparation of the financial statements and other explanatory information have not been provided.

23. Dormant Companies

The Statement of Investments by the Cabinet Secretary/Treasury in Various Companies as at 30 June 2015 reflects total Government shareholding of 19,521,419,886 shares with a nominal value of Kshs.21,511,131,522 compared to 19,496,556,717 shares with a nominal value of Kshs 21,377,783,487 reported as at 30 June 2014. However, the balance as at 30 June 2015 includes nine (9) companies in which the Government holds 29,365,817 shares with a nominal value of Kshs 587,315,695 00 as summarized -

Name of Company	No. of Shares	Nominal Value (Kshs.)
Pan African Paper Mills	20,094,600	401,892,000 00
Kenya Poultry Ltd	4	20 00
Ken-Rem Chemical & Fertilizer Ltd	3,640,000	72,800,000.00
Nyari Estate Ltd	2,500	50,000.00
Kenya Farmers Association	1	20 00
Nat. Agri. Chemical Fertilizer Ltd	2,084,998	41,699,960.00
Miwani Sugar Company	2,058,000	41,160,000 00
Mercat (K) Ltd	39	195 00
Busia Sugar Company	<u>1,485,675</u>	<u>29,713,500.00</u>
Total	<u>29,365,817</u>	<u>587,315,695.00</u>

These companies are either dormant or under receivership and as a result, the value of the investments in these companies is doubtful and may not, therefore, be recovered. The statement, however, excludes Kenya Fibre Corporation Ltd (under receivership), in which the Government holds 750,000 shares with a nominal value of Kshs 15,000,000 00. No satisfactory explanation has been given for the omission except that the company collapsed in 1982 and is earmarked for a write-off.

24. Investment in Kenya Commercial Bank

The Statement of Investments by the Cabinet Secretary/Treasury in Various Companies as at 30 June 2015 reflects Government shareholding of 523,600,000 shares (17.74% shareholding) with a nominal value of Kshs 523,600,000 00 in Kenya Commercial Bank (KCB). The shares register, however, indicates that the Government held 87,290,000 shares with a par value of Kshs 20 each in the company as at 28 June 2001 and that in the year 2007 there was a share consolidation of 10 shares for every one held upon which one share certificate of 523,600,000 shares with a par value of Kshs 1 each was issued. It is, however, not clear how the reduced Government shareholding of 523,600,000 shares in the company was arrived at or how the nominal value decreased from Kshs 1,740,580,000 00 to Kshs 523,600,000 00.

STATEMENT OF OUTSTANDING LOANS

Basis for Qualified Opinion

25. Outstanding Loans Balance

The consolidated statement of outstanding loans as at 30 June 2015 reflects total loans issued of Kshs.210,334,182,772.94, out of which an amount of Kshs.13,481,299,737.41 has been repaid, leaving a balance of Kshs.196,852,883,035.53 outstanding as at that date. The total outstanding loans' balance of Kshs.196,852,883,035.53 represents an increase of Kshs.15,565,564,215.65 or approximately 8.6% of total outstanding balance of Kshs.181,287,318,819.88 reported as at 30 June 2014. However, the outstanding loan balance of Kshs.196,852,883,035.53 could not be confirmed independently from the various institutions/parastatals who had been issued with the loans because no response was received on circularization of loans request sent to the National Treasury.

26. Failure to repay Loans

The total outstanding loans balance of Kshs.196,852,883,035.53 reflected in the consolidated statement of outstanding loans as at 30 June 2015 includes loans amounting to Kshs.21,352,043,593.36 issued to thirty one institutions. However, these institutions have not made any efforts to repay their respective loans upon maturity as shown:-

Institution	Amount Lent (Kshs)	Effective Year of Repayment
A. F. C	505,683,640.00	Various
Agricultural Settlement Fund & Central Lands Board	70,717,700.00	Various
Associated Sugar Factory Ramisi	15,818,960.00	Various
Co-operative Bank	266,073,098.00	Various
Coffee Board	560,332,369.20	Various
Cotton Lint	19,632,020.00	Various
East African Sugar Industries Ltd	172,123,100.00	Various
Muhoroni Sugar Co. Ltd	5,000,000.00	1992
Eldoret Municipal Council	1,058,673,824.12	1993
Halal Meat Products	27,701,420.00	1979
ICDC	89,230,500.00	Various
Kenya Industrial Estates	323,154,000.00	Various
Kenya Meat Commission	940,241,100.00	Various

Kenya National Federation of Co-Operatives (KNFC) Ltd	5,595,600 00	Terms not specified
KPLC Ltd	312,479,508.00	31/09/2006
Kenya Torray Mills	2,982,480 00	1970
KTDC	48,000,000 00	01/07/1991
Kenya Urban Transport	40,706,140.00	1994
Lake Victoria Water Serv	4,116,555,792.00	Various
Local Government Loans Authority	7,594,273,720 00	Terms not specified
Miwani Outgrowers Ltd	22,600,020 00	Various
Miwani Sugar Mills	78,088,180.00	Various
Mumias Outgrowers	3,600,000 00	1973/74
National Water Conservation & Pipeline Corporation	2,460,874,897 00	Various
Nzoia Sugar	158,510,100 00	Various
P.J Products	2,036,820 00	Terms not specified
Pyrethrum Board	863,368,270 00	2008
Rift Valley Water	1,411,529,796 04	2010
South Nyanza Sugar	47,200,000.00	Various
Uplands Bacon	26,205,900.00	Various
Water Resources Mgt.	103,054,639 00	30/09/2008
Total	<u>21,352,043,593.36</u>	

DONOR FUNDED PROJECTS

THE GLOBAL FUND TO FIGHT MALARIA PROGRAM (GRANT NO.KEN-405-G06-M)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

THE GLOBAL FUND PROGRAM FOR EXPANDING HIV PREVENTION, CARE AND TREATMENT SERVICES TO REACH UNIVERSAL ACCESS (80% COVERAGE) TO REDUCE BOTH INCIDENCE AND THE ASSOCIATED IMPACT (GRANT NO. KEN-H-MOF)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

THE GLOBAL FUND PROGRAM TO STEER THE COUNTRY TOWARDS ACHIEVEMENT OF THE TB MILLENNIUM DEVELOPMENT GOALS IN LINE WITH THE GLOBAL STOP TB STRATEGY (GRANT NO. KEN- S11- G12-T-DO2) PROJECT

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

SCALING UP MALARIA CONTROL INTERVENTIONS FOR IMPACT PROJECT (GRANT NO.KEN- 011-G13-M)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

INFRASTRUCTURE FINANCE AND PUBLIC PRIVATE PARTNERSHIPS PROJECT (IDA CREDIT NO.5157 KE)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

KENYA PETROLEUM TECHNICAL ASSISTANCE PROJECT (IDA CREDIT NO.5526 KE)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

MICRO FINANCE SECTOR SUPPORT CREDIT PROJECT (CREDIT NO.CKE 3004 01 E)

Basis for Qualified Opinion

27. Failure to Prepare the Special Account Activity

The National Treasury prepared and submitted for audit Part 'B' (The Special Account Reconciliation) only of the special account statement for the year ended 30 June 2015. The National Treasury has explained that it did not receive Part 'A' (The Special Account Activity for 2014/2015) of the special account statement from the Central Bank of Kenya because the Project had closed and the bank did not therefore prepare one. The completeness and accuracy of the special account statement cannot, therefore, be ascertained in the absence of Part "A".

PROGRAMME FOR RURAL OUTREACH OF FINANCIAL INNOVATIONS AND TECHNOLOGIES (IFAD CREDIT NO.814KE & GRANT NO. 1218 KE)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by IFAD, I confirm that:-

- (i) Proper accounting records have been kept;
- (ii) The financial statements are in agreement with the accounting records,
- (iii) IFAD funds and Government of Kenya counterpart funds have been used in accordance with the financing agreement, with due attention to economy and efficiency and only for the purposes the funding of the Programme for Rural Outreach of Financial Innovations and Technologies was provided,
- (iv) Services financed during the year were procured in accordance with the terms and conditions of the financing agreement,
- (v) All supporting documentation, records and accounts have been maintained in respect of all project activities,
- (vi) National laws have been complied with and financial and accounting procedures approved for the Project were followed and used, and
- (vii) A special account has been maintained for the Programme in accordance with the provisions of Loan/ Grant Agreement.

PUBLIC FINANCIAL MANAGEMENT REFORMS PROGRAM

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

STUDY AND CAPACITY BUILDING FUND PROJECT (CREDIT NO. CKE 6015 01 K)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

TECHNICAL SUPPORT PROGRAMME PROJECT (KE/FED/2009/021421)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

STATEMENT OF OUTSTANDING OBLIGATIONS GUARANTEED BY THE KENYA GOVERNMENT

Basis for Adverse Audit Opinion

28. Presentation of the Financial Statement

Contrary to the guidelines prescribed by the Public Sector Accounting Standards Board, the National Treasury did not prepare and submit for audit financial statements of outstanding obligations guaranteed by the government as at 30 June 2015 in accordance with International Public Sector Accounting Standards (Cash Basis) The single statement submitted does not include accounting policies used in its preparation and other explanatory notes

29. Long Outstanding Balances

The statement of Outstanding Obligations Guaranteed by the Kenya Government as at 30 June 2015 reflects outstanding contingent liabilities totalling Kshs 164,132,745 60 made up of Kshs.11,814,920 20 and Kshs 152,317,825 00 relating to Kenya Railways Corporation and Cereals and Sugar Finance Corporation, respectively.

Although these balances have been outstanding for a long period of time, the National Treasury has indicated that their clearance is dependent on redemption of bonds issued by Kenya Railways Corporation and completion of winding up process of the Cereals and Sugar Finance Corporation The balances thus remained outstanding in the books of account as at 30 June 2015

STATEMENT OF OUTSTANDING PUBLIC DEBT

Basis for Adverse Opinion

30. Accounting Policies

Contrary to the requirements of International Public Sector Accounting Standards financial reporting under the cash basis of accounting, the accounting policies adopted by the National Treasury in preparing and presenting these financial statements have not been disclosed

31. Un-explained Differences

The statement of receipts and payments under Notes 20 and 21 and the ledger as at 30 June 2015 reflects different account balances in respect of the same items as indicated.

Item	Financial Statement Balance Kshs.	Ledger Balance Kshs.	Difference Kshs.
External Debt Interest	33,330,189,096 35	26,810,026,639 70	6,520,162,456 65
External Debt Redemption	80,213,525,854 00	75,540,232,323 60	4,673,293,530 40
Internal Debt Interest	139,363,010,320 00	136,789,092,079 70	2,573,918,240 00
Internal Debt Redemption	165,249,803,076 80	139,748,617,500 00	25,501,185,576 80

The management has not reconciled these differences

32. Comparative Balances

The financial statements reflect under Note 20 comparative balances in respect of interest on domestic borrowings totalling Kshs.116,492,759,327 00 which differs with the balance of Kshs 117,037,704,912 00 shown against the same item in the audited financial statements for 2013/2014 resulting in a difference of Kshs.544,945,585

33. Un-explained Source Funding

The statement of receipts and payments further shows that an amount of Kshs 416,234,431,172 was transferred from the National Treasury/exchequer to Vote R050-CFS Public Debt in the financial year 2014/2015. However, expenditure totalling Kshs 418,156,528,347 00 was incurred against the Vote, resulting in an unexplained funding to the tune of Kshs 1,922,097,175 00

34. Bank Balance

The statement of financial position and the bank certificate reflect an overdraft bank balance of Kshs.37,871,353.15 as at 30 June 2015 The cash book however reflects a bank balance of Kshs 126,415,953 15 as at the same date No reconciliation has been provided for the difference of Kshs 164,287,306 30 Consequently, the accuracy of the bank balance as at 30 June 2015 is doubtful

35. Omitted Balance

Note 25 to the financial statements reflects a Central Bank of Kenya-Public Debt (Sinking Fund) balance of Kshs 2,093,437 50 The balance has, however, not been included in the statement of financial position Thus, total financial assets balance has been understated by the same amount

36. Variances between Financial Statements and Loan Register Balances

Comparison of the balances as at 30 June 2015 reflected in the statement of outstanding public debt and the loans register in respect of one hundred and twenty one (121) loans shows that the amounts in the two records do not tally. According to the financial statements, balances totalling Kshs.200,133,177,393.28 listed in the Statement of outstanding public debt do not agree to a total of Kshs.140,097,825,943.97 recorded in the loans register as outstanding against these loans.

37. Un-reconciled Balances

The statement of outstanding debt reflects a balance of Kshs.26,615,000,000.00 relating to Pre-1997 Government Overdraft debt. The opening balance for the item was Kshs.28,273,000,000 as at 1 July 2014, and a repayment of Kshs.1,110,000,000 was made during the year as per the loan agreement between Government of Kenya and the Central Bank of Kenya. The closing balance, therefore, ought to have been Kshs.27,163,000,000.00 and not Kshs.26,615,000,000.00. The resultant difference of Kshs.548,000,000.00 has not been explained.

In addition, the statement of outstanding public debt shows treasury bills balance of Kshs.318,928,150,000.00. The recalculated balance is, however, Kshs.290,059,760,050.75 as indicated below resulting in a difference of Kshs.28,868,389,949.25, which is yet to be investigated:

Description	Amount Kshs.
Opening balance	299,406,150,000.00
Proceeds in 2014/2015	426,416,160,050.75
Total	<u>725,822,310,050.75</u>
Less repayments	(435,762,550,000.00)
Recalculated balance	290,059,760,050.75
Statement balance	318,928,150,000.00
Difference	<u>28,868,389,949.25</u>

38. Un-supported Balances

The statement of financial position reflects balances of Kshs.257,687,919.40 and Kshs.1,859,315,165.65 referred to as prior year adjustments in 2014/2015 and 2013/2014 respectively. The statement further reflects balances of Kshs.1,884,225,822.00 and Kshs.1,275,147,069.20 referred to as differences for 2014/2015 and 2013/2014 respectively. The balances have, however, not been supported or explained.

Other Matter

39. Ken-Ren Chemical and Fertilizer Company-Loan Repayment

The statement of receipts and payments reflects total actual expenditure of Kshs.418,156,528,347.15 in the year 2014/2015 compared to the previous year's amount of Kshs 228,436,940,189.30 in respect of the public debts as summarized

Sub Vote	Item	Item Description	Amount (Kshs.) 2014/2015	Amount (Kshs.) 2013/2014
501	2420000	External Debt Interest	33,330,189,096 35	17,081,184,346
	2410100	Internal Debt Interest	139,363,010,320 00	117,037,704,912
502	5210000	Internal Debt Redemptions	165,249,803,076 80	68,249,400,000
	5210600	External Debt Redemptions	80,213,525,854 00	26,068,650,931
		Total	418,156,528,347.15	228,436,940,189

The expenditure of Kshs 33,330,189,096 35 and Kshs 80,213,525,854 00 incurred on external debt interest and external debt redemptions, includes amounts of Kshs.2,845,254.70 and Kshs 347,023,821 50 incurred on interest and principal loan repayments respectively, towards settlement of Government guaranteed debts incurred in 1970 on account of Ken-Ren Chemical and Fertilizer Company

As similarly observed in the previous years, it is a matter of concern that a total amount of Kshs.349,869,076 20 was incurred during the year on a project which did not take off and against which no value for money was achieved

40. Growth in Public Debt

The statement of public debts as at 30 June 2015 reflects an outstanding amount of Kshs 2,674,806,364,195.00 representing an increase of Kshs 423,960,454,908.00 or 19% of 2013/2014 outstanding debts balance of Kshs.2,250,845,910,286 00

My opinion is not qualified in respect of these matters

KENYA LOCAL LOANS SUPPORT FUND

Basis for Disclaimer of Opinion

41. Presentation and Disclosure of the Financial Statements

The financial statements of Kenya Local Loans Support Fund as at 30 June 2015 were not prepared in accordance with International Public Sector Accounting Standards (Accrual Basis) as prescribed by Public Sector Accounting Standards

Board The financial statements submitted do not include accounting policies used in their preparation and other explanatory information and disclosures

42. Failure to Redeem Stocks

In the reports for previous years reference had been made to stocks valued at Kshs 10,430,700 00 which were past their redemption dates with the last redemption date for a sum of Kshs 17,400 00 having been on 6 February 2010 The National Treasury has explained that the stocks were redeemed some years ago but erroneously accounted for as revenue. However, records to confirm the erroneous accounting for receipts and subsequent correction in the books of account have not been made available for audit review to date

43. Winding Up of the Fund

According to information available, the Kenya Local Loans Support Fund is in the process of being wound up in line with recommendations of the Public Accounts Committee and instructions issued by the National Treasury that all dormant funds be wound up However, no evidence has been made available to show the stage that the process of winding up the Fund had reached as at 30 June 2015

44. Unsupported Balances

The balances reflected in the financial statements under interest on investment, investment at cost, debtor - Cereal & Sugar Finance Corporation, accrued interest, cash with PMG, fund account and accumulated interest of Kshs.660,000 00, Kshs 10,410,373.50, Kshs 8,580,000 00, Kshs.660,000 00, Kshs 67,355,406 15, Kshs 5,000,000 00 and Kshs 72,765,779.65, respectively have not been supported by analyses and other documentary evidence The accuracy of the balances could not, therefore, be ascertained

STATEMENT OF REVENUE - PENSIONS DEPARTMENT

Basis for Adverse Opinion

45. Un-supported Balances

- (i) The statement of revenue under Note 4 reflects General Deposit-PMG, Other Suspense and Pensions Increase Asiatic Widows & Orphans Pension Fund (P. Increase AWOPF) account balances of Kshs 1,051,602,039 19, Kshs (1,971,533 55) and Kshs 4,583 15 respectively, which are not supported by trial balance figures and analyses
- (ii) The Note further shows actual revenue totalling Kshs 2,125,593,875 47 which includes balances relating to 2013/2014 and earlier years totalling Kshs 1,476,356,050 23 However, the statement of revenue reflects balance brought forward from 2013/2014 of Kshs 19,047,058 68 instead of

Kshs 1,476,356,050.23 No explanation has been given for this anomaly or documentary evidence provided to confirm that part of the amount Kshs 1,457,308,991 55 was transferred to the Exchequer Account in the year 2013/2014 or thereafter as reflected in the statement

46. Transfer of Revenue to the Exchequer

The statement of revenue shows that an amount of Kshs 668,284,883 92 was transferred to the Exchequer Account during the financial year 2014/2015 The transfer has, however, not been supported by a payment voucher and bank records and neither has it been recorded in the cashbook and the ledger

47. Comparative Figures for 2013/2014

(i) The statement of revenue reflects under year 2013/2014 revenue totalling Kshs.1,457,308.991 55 which includes a brought forward balance of contributions and recoveries amounting to Kshs 840,964,209 75 as per the following analysis

Description	Amount (Kshs.)
• 2% Contributions for Widows and Children Pension Scheme (W.C PS)	246,409,365 80
• 31% Contributions	486,221,192 50
• Suspense Abatement - Recoveries	85,195,396 55
• CAP Deductions - Recoveries	<u>23,138,254 90</u>
Total	<u>840,964,209.75</u>

However, no evidence has been provided for audit review to confirm that the total accumulated contributions and recoveries of Kshs 1,457,308,991.55 were surrendered to the Exchequer as at 30 June 2015 as required under Government Financial Regulations and Procedures The ledger for 2014/2015 still shows that the amounts are being held by the Pensions Department

(ii) Note 4 to the statement of revenue also reflects Other Suspense balance of Kshs 1,971,533 15 relating to overpayments of pension made over the years However, the balance has not been analyzed In addition no indication has been given regarding how the Pensions Department intends to recover the amounts overpaid to the pensioners

48. Financial Position

The accumulated actual revenue balance of Kshs 2,125,593,875 47 disclosed under Note 4 to the statement and nil balance carried forward as at 30 June 2015 reflected in the statement of revenue have not been supported by related cashbook balances or bank records. In addition, no bank reconciliation statement or statement of financial position as at 30 June 2015 for the revenue has been prepared and submitted for audit

CONSOLIDATED FUND SERVICES - PENSIONS AND GRATUITIES

Basis for Qualified Opinion

49. Bank Balance

The statement of financial position reflects a bank balance of Kshs.84,162,693.00 while the cash book, bank reconciliation statement and board of survey report reflect a balance of Kshs.461,745,830. The resulting difference of Kshs.377,583,137.05 has not been reconciled.

50. Payables

(i) Re-credited Cheques

The payables' balance of Kshs.2,300,281,209.00 reflected in the financial statements and disclosed under Note 8.5 as re-credited cheques relates to cheques and electronic transfers to pensioners through various banks and Sacco's which were returned due to various reasons such as incorrect bank accounts, closed bank accounts and incorrect bank codes. Although the pensions department has implemented several measures like encouraging pensioners to give correct information, obtaining mobile telephone numbers for pensioners or dependents for contacts and having inbuilt bank codes in the Pension Management Information System (PMIS) among others, the balance continues to increase over the years. The year 2013/2014 balance was Kshs.2,172,347,374.00.

(ii) Unsupported Clearance

The payables' balance of Kshs.2,470,236,646.00 for the financial year 2013/2014 included an amount of Kshs.129,259,140.00 due to the Post Bank. The amount was cleared during 2014/2015 financial year, but documentary evidence on how the amount was cleared has not been provided.

51. Service Gratuity

The following service gratuity balances brought forward from the financial year 2013/2014 and previous years were cleared from the books on 30 June 2015 through journal vouchers as follows;

<u>Journal Vr No.</u>	<u>Account Description</u>	<u>Amount Kshs</u>
000014	Contract gratuity	151,553,515.15
000012	Marriage gratuity	727,458.65
000013	Retrenchment gratuity	18,709,786.40
	Total	<u>170,990,760.20</u>

However, the journal entries could not be traced in the ledger. It is, therefore, not possible to ascertain the validity and correctness of the above adjustments and their effect on the financial statements.

52. Bank Reconciliation Statement for the CFS Cashbook-Account No 01- 010 R051

52.1 Payments in Cashbook not in Bank Statement

The bank reconciliation statement as at 30 June 2015 shows payments in cashbook not reflected in bank statement totalling Kshs 653,006,985 85. The payments include amounts paid to the Chief Accountant of Kshs 6,798,604 55 The Pensions department has not explained why the payments have not been effected by the Bank.

The reconciliation also shows tax recovered (P A.Y.E) from pensioners totalling Kshs 13,302,006 90 paid in the cashbook but not reflected in the bank statement No explanation was provided for failure to remit the said taxes

52.2 Receipts in Bank Statement Not in Cashbook

The bank reconciliation statement as at 30 June 2015 reflects receipts in bank statement not posted to the cashbook totalling Kshs 214, 402,476 80 The receipts include direct credits with some dating back to the year 2009 as analyzed below

<u>Year</u>	<u>Amount</u> <u>(Kshs)</u>
2009	5,307,517 20
2011	59,852,702 40
2012	11,237,521 65
2013	27,563,922.10
2014	22,253,042 70
2015	<u>69,358,078.35</u>
Total	<u>195,572,784.40</u>

I am unable to establish why the receipts had not been posted to the cashbook by 30 June 2015

Further, included in the schedule of the receipts in the bank statement that are not in the cashbook, are cashbook under casts totalling Kshs 1,341,991 70 as follows:

<u>Date</u>	<u>Ref.</u>	<u>Amount</u> <u>(Kshs.)</u>
1/6/2012	-	121,694.90
20/12/2013	EFT 13354	1,217,676 00
20/12/2013	EFT 13354	<u>2,620 80</u>
Total		<u>1,341,991.70</u>

The cashbook balance is therefore understated

52.3 Payments in the Bank Statement but not in the Cashbook

The bank reconciliation statement shows payments in the bank statement not in the cashbook totalling Kshs.14,891,204.65 in respect of cheques fraudulently paid by the pensions department employees and third parties. The employees who were involved in fraud of cheques worth Kshs.3,764,617.15 were taken to court but later acquitted. Although the pensions department has not appealed against the judgment, the amount has not been written off from the books of account. The court case relating to the fraud of the remaining Kshs.11,126,587.50 has not been determined and recovery of the amount is uncertain.

The reconciliation also reflects refer to drawer cheques worth Kshs. 204,272.30. The amount was reversed in the cash book on 6 August 2008 but a corresponding entry is not reflected in the bank statement.

The reconciliation statement also shows a cashbook under cast of Kshs.419,699.50 dated 30/9/2014. I am unable to ascertain why the under cast is reflected as payment in the bank statement not in the cashbook.

Included in the reconciliation statement are transactions described as unpaid cheques totaling Kshs.792,960.40 and all dated 10 January 2012. No reason has been provided as to why the cheques have not been paid since 2012.

52.4 Receipts in Cashbook and not in the Bank Statement

The bank reconciliation statement reflects receipts in the cash book that are not in the bank statement totalling Kshs.99,842,169.00. The receipts include transactions for the between years 2007 and 2015 as follows.

Year	Amount (Kshs)
2007	58,075.90
2008	4,140.15
2010	42,720,845.40
2011	16,393,075.15
2012	14,293,398.40
2013	5,585,462.45
2014	12,295,622.60
2015	8,491,549.55
Total	<u>99,842,168.40</u>

No reason has been provided for apparent failure to capture these receipts in the bank statements.

53. Pension Management Information System (PMIS)

Audit of the Pension Management Information System (PMIS) revealed weak controls in the system as highlighted below.

- (i) The system is able to capture, save and process pension payments with incomplete data, for example, 69,715 pensioners' files with dummy Identification Numbers or personal numbers were identified
- (ii) The audit also revealed that 601 pension files were being processed without pensioners names, 6890 files without identification numbers and 6896 files without personal numbers.
- (iii) 227 Pensioners PIN as per the pension file differs with PIN certificates held at Kenya Revenue Authority
- (iv) Sixty nine thousand, nine hundred and fifty six (69,956) pensioners' and dependents' files were showing the same date for pensioners' dates of birth and dates of enrolment respectively. Out of this total, 48,195 files showed that all dependents were born the same year 2000 which is unlikely.
- (v) Four thousand, four hundred and seventy (4,477) dependents in the system were aged over 70 years. According to the pension policy such dependents are required to provide life certificates every six months. However, the certificates were not provided as required and there is risk of payments being made to deceased dependents
- (vi) There were 24 beneficiaries under the 5PN category (where the widow receives pension for 5 years after the death of the husband) who have continued to be paid after expiry of the benefit period.
- (vii) Four hundred and sixteen (416) disability cases files were missing from the disability master file
- (viii) The PMIS does not include data for period before year 2009. It is, therefore, not possible to verify information relating to pensioners prior to that year

54. Funds Transferred to Public Trustee

Audit of Public Trustee regional offices undertaken in March 2015 revealed the following unsatisfactory matters

54.1 Unpaid Gratuities

Estate/trust files and records indicated that death gratuities totalling Kshs 131,826,452.15 and relating to period, July 2013 to December 2014 were received by the public trustees from the pensions department but no transactions or claims have been lodged by the beneficiaries. The details are as follows

<u>Regional Office</u>	<u>Amount Kshs.</u>
Kisumu	22,880,683.95
Kakamega	22,285,294.50
Eldoret	40,118,839.80
Nakuru	39,838,717.15
Kisii	<u>6,702,916.75</u>
Total	<u>131,826,452.15</u>

No action appears to have been taken to facilitate payment of these death gratuities to the beneficiaries.

54.2 Long Outstanding Ledger Account Balances

Death gratuities paid to beneficiaries are net of estate management costs which include advertisement and gazette costs. The balance is then retained in the estates ledger thereby earning interest from investments. An amount of Kshs.39,578,248.96 had been realized as interest during the period under review and remained outstanding in the ledgers for the regions as follows:

<u>Region</u>	<u>Amount(Kshs)</u>
Kisumu	11,372,082.71
Kakamega	11,054,797.25
Eldoret	7,334,349.25
Nakuru	2,992,607.55
Kisii	<u>6,824,412.20</u>
Totals	<u>39,578,248.96</u>

It has not been explained how the amount will be applied or cleared from the ledgers.

54.3 Failure to Provide Records

The Public Trustee offices in five (5) regions did not provide for audit files for death gratuities under their custody as indicated:

	Number of files	Number of files not provided	Amount Kshs
Malindi	17	1	1,159,738.00
Mombasa	97	17	13,348,141.00
Machakos	229	120	96,780,411.00
Nyeri	122	16	16,620,860.00
Embu	207	24	21,448,626.00
Totals	672	178	<u>149,357,776.00</u>

54.4 Unsupported Payments

54.4.1 The estates/trusts files in Nyeri and Embu regional offices showed that gratuities totalling Kshs 12,979,655.00 were disbursed without copies of Kenya Gazette as required. It is, therefore, not clear whether the estates/trusts indicated below were advertised in the Kenya Gazette

<u>Station</u>	<u>Pension no</u>	<u>Amount Kshs.</u>
Nyeri	APN/GC0000248813	480,960 00
	APN/PC0000245421	562,155.00
	APN/PC0000249018	912,494 00
	APN/PC0000248288	1,199,142 00
	APN/GC0000245080	670,963 00
	APN/PC0000246450	1,066,884 00
	APN/PC0000248663	1,226,551 00
	APN/PC0000246412	1,334,340 00
	APN/PC0000248483	1,102,640 00
	Sub-Total	8,556,129.00
EMBU	APN/PC0000245320	700,369 00
	APN/PC0000241687	512,665 00
	APN/GC0000246980	420,192 00
	APN/PC0000244470	363,360.00
	APN/PC0000243635	1,118,324 00
	APN/PC0000247550	1,308,615 00
	Sub-Total	4,423,525.00
	Grand Total	12,979,654.00

54.4.2 The disbursements of death gratuities by the pensions department are required to be accompanied by notification to show the beneficiaries and, or next of kin. The disbursements to Embu Office for twelve (12) cases with a total amount of Kshs 11,177,224 40 were made without the notifications. The Public Trustee has, therefore, not been able to pay the beneficiaries. Further, these estates have neither been gazetted nor advertised in the media and notice boards. The details of the gratuities are indicated was below

<u>Pension No.</u>	<u>Amount Kshs.</u>
APN/PC0000243791	2,469,700 10
APN/GC0000242250	593,997 50
APN/PC0000249515	486,936 00
APN/PC0000244827	432,960.00
APN/PC0000242174	1,713,849.00
APN/PC0000239493	455,007 00
APN/PC0000248080	749,100 00

APN/PC0000239445	1,252,995.00
APN/PC0000143248	77,051.70
APN/PC0000249041	1,852,594.10
APN/PC0000243013	658,491.00
APN/PC0000243923	434,543.00
	<u>11,177,224.40</u>

ASIATIC WIDOWS AND ORPHANS PENSION FUND

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

I draw attention to note 1.6 under fund performance accompanying the financial statements which indicates that the Fund has been dormant since June 2002 when the only surviving beneficiary died. Further, that the Cabinet through a memorandum dated 26 June 2012 authorized the Attorney General, Minister of State for Public Service and the Minister for Finance to initiate the process of winding up of the Fund. According to the task force appointed by the National Treasury on winding up of the dormant funds report dated August 2015, a draft Legal Notice has been prepared in conjunction with the State Law Office for de-gazettement of the Fund. However, the Legal Notice has not been made available for audit to confirm the final action taken. My opinion is not qualified in respect of this matter.

ASIAN OFFICERS FAMILY PENSION SCHEME FUND

Basis for Qualified Opinion

55. Investment Held in Insolvent Cereals and Sugar Finance Corporation

The statement of financial assets and liabilities as at 30 June 2015 reflects a receivables' balance of Kshs.263,221,691.00 which includes an amount of Kshs.15,200,000.00 relating to cash deposited in the Cereals and Sugar Finance Corporation. The Corporation is technically insolvent and according to available information, the Government has approved its winding up, with a further requirement that the National Treasury takes over its assets and liabilities. The recoverability of the amount of Kshs.15,200,000.00 is, therefore, doubtful.

56. Over-statement of Dividend Income

The statement of receipts and payments for the year ended 30 June 2015 reflects dividend income of Kshs.136,600,818.00. The amount includes two exchequer issues from the National Treasury of Kshs.50,000,000.00 and

Kshs.76,026,408.65, reversed investment provision of Kshs.1,982,243 50 and pension payment of Kshs 118,822.65 which have wrongly been treated as dividend income. The dividend income is, therefore, overstated by an amount of Kshs.128,127,474 80

57. Un-explained Exchequer Issues to the Fund

The National Treasury issued two exchequers of Kshs.50,000,000 00 and Kshs 76,026,408 65 to the Asian Officers Family Pension Scheme Fund during the period under review. However, no documentary evidence has been produced to confirm that the National Treasury owed the Fund any money at the beginning of or during the financial year 2014/2015. The exchequer amount was, in the circumstances irregularly transferred to the fund.

58. Irregular Pension Payments

The Pension Department made payments totalling Kshs 519, 800 00 from 2007 to June 2015 in respect of two deceased beneficiaries. The families of the two beneficiaries through forwarding letters dated 22 August 2007 and 21 January 2008 provided death certificates informing the Pensions Department of the demise of the beneficiaries on 16 August 2007 and 28 December 2007. The Department, however, continued to make payments to the two deceased beneficiaries despite receiving the notifications on 20 September 2007 and 1 February 2008, respectively. The payment of the pension to non-existent beneficiaries has led to loss of Government funds totalling Kshs 519,800 00

59. Failure to Produce Records

The statement of receipts and payments reflects an expenditure of Kshs 1,461,629 00 being pension paid during the period under review. This expenditure includes an amount of Kshs.216,000 00 paid to six beneficiaries but whose files were not produced for audit verification. It has, therefore, not been possible to confirm the accuracy and authenticity of the amount paid to the six beneficiaries.

60. Understatement of the Investment Balance

The statement of financial assets and liabilities shows a balance of Kshs 34,238,980.00 under investment account. The balance is understated by an amount of Kshs 2,939,850 00 being bonus share issued in 2012 but not recorded in the value of the investment account.

61. Un-supported Balances

The statement of financial assets and liabilities under receivables includes an amount of Kshs 248,021,691 00 being cash owed by Joint Consolidated Fund. The balance has, however, not been supported by deposit certificates.

Further, the statement reflects a capital account balance and members contributions of Kshs.119,356,085.00 and Kshs.37,680,778.00 respectively, which have not been supported by analyses. The accuracy of these balances could not therefore, be confirmed.

EUROPEAN WIDOWS AND ORPHANS PENSION SCHEME FUND

Basis for Qualified Opinion

62. Investment Held in Insolvent Cereals and Sugar Finance Corporation

As previously reported, the statement of assets and liabilities reflects receivables' balance of Kshs.16,900,000.00 relating to cash investment held in the Cereals and Sugar Finance Corporation. The Corporation is technically insolvent and the Government has approved its winding up. Consequently, the recoverability of Kshs.16,900,000.00 is doubtful.

63. Failure to Invest Proceeds from Redeemed Stock

As highlighted in the report for 2013/2014 and earlier years, the National Treasury holds in its Deposits Account No. 4-867-102-0021 cash proceeds from the redemption of 11% Kenya Stock 2000 totalling Kshs.9,000,000.00. The Stocks were redeemed in July 2001 and the proceeds were expected to be re-invested immediately but are still being held in Deposit account to date. Failure to re-invest the funds for the last fourteen years has denied the Fund income that would finance the payment of pensions due to its beneficiaries.

64. Over-statement of Dividend Income

The statement of receipts and payments reflects dividend income of Kshs.56,921,133.00, which includes dividend earned during the year of Kshs.6,914,743.00, exchequer issue from Treasury of Kshs.50,000,000.00 and one month pension not paid of Kshs.6,390.00. The exchequer issue and pension not paid are not part of dividend income. The dividend income is therefore overstated by an amount of Kshs.50,006,390.00.

65. Un-explained Exchequer Issue to the Fund

The National Treasury issued an exchequer of Kshs.50,000,000.00 to the European Widows and Orphans Pension Scheme Fund during the period under review. According to records available, the fund was not owed any amount by Treasury as at 1 July 2014 or during the year 2014/2015. The reason for issuing the exchequer to the Fund has not been explained.

THE PROVIDENT FUND

Basis for Adverse Opinion

66. Statement of Receipts and Payments

66.1 The statement of receipts and payments reflects a net off amount of Kshs.45,321,709.65 against total receipts which have been referred to as "dividend receivable for 2013/2014". The amount actually relates to 2012/2013 and was included in other receivables and dividend income balances of Kshs.109,063,893.00 and Kshs.146,187,997.00, respectively reported in that year. The amount of Kshs.45,321,709.65 has therefore been erroneously netted off against receipts for the year 2014/2015.

66.2 The dividend income of Kshs.101,831,345.00 reflected in the statement of receipts and payments includes an exchequer receipt of Kshs.50,000,000.00, out of which Kshs.45,321,709.00 relates to dividend received during the year. It has not been explained what the remaining exchequer receipt balance of Kshs.4,678,291.00 relates to. The dividend income of Kshs.101,831,345.00 however excludes an amount of Kshs.3,226.00 deposited directly into the Consolidated Fund Account. The amount is yet to be refunded to the Provident Fund.

67. Missing Investment Certificates

Note 8.2 to the financial statements reflects investment of Kshs.45,860,478.00 in shares representing the gross book value of ordinary share investments in two publicly quoted companies. Out of this balance, a sum of Kshs.14,807,299.00 represents 7,540,140 ordinary shares held in the East African Breweries Company Limited. However, only share certificates for 1,960,118 shares valued at Kshs.9,547,660.00 were presented for audit. Therefore it has not been possible to confirm whether the balance of 5,580,022 shares valued at Kshs.5,259,639.00 exist. In view of these discrepancies, it has not been possible to confirm the completeness, value and accuracy of the net investment balance of Kshs.45,378,431.00 reflected in the statement of financial assets and liabilities.

68. Dividend Income not Accounted for in the Fund Account

In the report for 2013/2014 it was noted that dividend income from investments amounting to Kshs.11,310,210.00 was received from East African Breweries Limited and paid to the National Treasury instead of the Provident Fund Account. The amount had not been accounted for as a receivable in the Fund's books of account or paid to the Provident Fund as at 30 June 2015.

69. Cash on Deposit – Joint Consolidated Fund (JCF)

Other receivables balance of Kshs.4,793,882.00 reflected in the statement of financial assets and liabilities includes Cash on Deposit – Joint Consolidated Fund (JCF) balance of Kshs.997,655 80. However, certificates in support of the balance were not submitted for audit review and as a result, it has not been possible to verify the existence and valuation of the deposits or the organizations in which the deposits were held

70. Cash Deposit – Cereals and Sugar Finance Corporation

The other receivables balance also includes a cash deposit of Kshs 3,796,226.00 held in the insolvent Cereals and Sugar Corporation. As reported previously, the Cabinet gave approval on 13 September 2007 for the winding-up of the Corporation and directed the National Treasury to take over its assets and liabilities. No information has been provided regarding the progress attained in winding up of the Corporation as at 30 June 2015. In the circumstances, realization of the amount of Kshs.3,976,226.00 is doubtful

71. Un analyzed Balance

The statement of financial assets and liabilities also reflects other pending payables' balance of Kshs 9,715,111.00 made up of Kshs 9,622,726 00 and Kshs.92,385 00 relating to surplus cash remitted by Government Departments and interest due from National Government entities respectively. These balances were brought forward from the previous years but no analysis was done

The National Treasury explained that documents containing details of the balances were lost in the 1970's and that during the year under review, it constituted a taskforce to reconcile the balances. In the absence of analysis, however, it has not been possible to confirm the accuracy, validity and completeness of these balances.

72. Differences in Comparative Balances

In the report for 2013/2014 it was noted that the comparative balances for 2012/2013 reflected in the Fund's financial statements for the year ended 30 June 2014 differed with the balances reflected in the audited financial statements for the year 2012/2013 as follows

Item	Comparative Balance 2012/2013 Kshs.	Actual Statement 2012/2013 Kshs.	Difference Kshs.
Dividend receivable From DGIPE	104,270,111	57,144,536 30	47,125,574 70
Accumulated Surplus	460,564,771	413,329,295 75	47,235,475 25

Miscellaneous Receipts	146,187,997	99,062,552 30	47,125,444 70
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A review of the financial statements for 2014/2015 revealed that like in 2013/2014 no disclosure has been made in the notes to the financial statements regarding re-statement of these prior period balances including the reasons for the restatement as required under International Public Sector Accounting Standard No 3 on "Accounting Policies, Changes in Accounting Estimates and Errors".

CONSOLIDATED FUND SERVICES - SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES AND GUARANTEED DEBT

Basis for Adverse Opinion

73. Accounting Policies

Contrary to the requirements of International Public Sector Accounting Standards financial reporting under the cash basis of accounting, the accounting policies adopted by the National Treasury in preparing and presenting these financial statements have not been disclosed

74. Failure to provide a Trial Balance

The National Treasury did not provide a trial balance for the Consolidated Fund Services-Salaries, Allowances and Miscellaneous Services and Guaranteed Debts as at 30 June 2015. It is, therefore, not clear how the balances in the financial statements were drawn in the absence of a trial balance

75. Un-supported Balances

75.1 The statement of receipts and payments reflects compensation of employees in form of salaries and allowances of Kshs 2,418,352,317 00 while the ledger shows payments totalling Kshs 2,405,901,971 00 for the same item. The difference of Kshs 12,450,346 00 between the two sets of records, which should ordinarily agree, has not been established

75.2 The payroll summaries for the twelve months from July 2014 to June 2015 reflect salaries and allowances expenditure totalling Kshs.2,316,996,535 90, which differs with the amount of Kshs 2,418,352,317 00 reflected in the statement of receipts and payments in respect of compensation of employees. The resulting difference of Kshs 101,355,781 10 has similarly not been ascertained

76. Payments under Guaranteed Loans Act

The statement of receipts and payments reflects expenditure of Kshs.115,667,631.00 and Kshs.899,285,640.00 in respect of loan interest and redemption respectively, incurred during the financial year 2014/2015, under Guaranteed Loans Act. The loans were guaranteed by the Government of Kenya on behalf of two parastatals and a Local Authority and paid during the year under review as follows:-

Organization	Principal Amount Kshs.	Interest Amount Kshs.	Total Kshs.
Kenya Broadcasting Corporation	593,564,152.00	69,952,990.30	663,517,142.30
Tana & Athi River Development Authority	227,644,737.85	45,073,572.15	272,718,310.00
Nairobi City Council	78,076,750.00	637,918.50	78,714,668.50
Transmission Charges	-	<u>3,150.00</u>	<u>3,150.00</u>
Total	<u>899,285,639.85</u>	<u>115,664,480.95</u>	<u>1,014,950,120.80</u>

As similarly reported in 2013/2014, the terms and conditions under which the Government took over these loans have not been made available for audit review, and as a result, it has not been possible to establish whether or not the defaulting institutions were required to reimburse the Government the principal and interest it paid on their behalf.

It has not been possible in the circumstances to ascertain whether or not the repayments had complied with the terms and conditions of the take-over.

77. Prior Year Adjustments

The statement of financial position as at 30 June 2015 reflects an amount of Kshs.55,241,558.25, which is referred to as prior year adjustments. The National Treasury has not explained or provided details of the said adjustments. Consequently, the accuracy of the balances reflected in the statement of financial position could not be ascertained.

78. Unspent Appropriation/Cash Balance

The statement of financial position reflects a bank balance under the comparative balances for the financial year 2013/2014 of Kshs 397,382,932.20. The balance was carried forward to the financial year 2014/2015 as shown in the statement of financial position as at 30 June 2015. The unspent appropriation in 2013/2014 ought to have been paid back to the National Exchequer Account as required under Section 45 of the Public Finance Management Act, 2012 but it was not repaid.

79. Omitted Expenditure and Receipts

79.1 The following receipts and expenditure reflected in the ledger for June 2015 have not been captured in the financial statements as detailed -

Expenditure

520-004-8820-6760102 Kshs 22,022
520-129-8820-6760102 Kshs 80,195

Receipts

520-004-0000-6740102 Kshs 5,409,260.90
520-004-0000-6780101 Kshs 2,167,730 70

The National Treasury has also not provided the item descriptions for these accounts and as such, it has not been possible to establish what they relate to

79.2 In addition, the ledger under Head-983 Item-6780108-loans management charges reflects an amount of Kshs.11,980,333 50 as at 30 June 2015. The item has, however, been omitted from the financial statements

80. Variances between Ledger and the Payroll

The ledgers and the payroll for salaries and allowances for 2014/2015 in respect of the Judiciary, Kenya National Commission on Human Rights and National Cohesion and Integration Commission show variances as detailed -

	<u>Institution</u>	<u>Ledger Amount as at 30.06.2015</u> Kshs.	<u>Payroll Amount as at 30.06.2015</u> Kshs.	<u>Variance</u> Kshs.
1	Judiciary	1,311,299,506 00	1,597,774,307 00	286,474,801 00
2	Kenya National Commission on Human Right	147,026,916.00	111,307,599 00	35,719,317 00

3. National Cohesion and Integration Commission	16,773,708.00	9,259,030.00	7,514,678.00
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I have not been able to establish the cause of the differences.

81. Unexplained Funding

The statement of receipts and payments shows total receipts of Kshs.3,150,000,000.00 and expenditure totalling Kshs.3,433,308,738.00, resulting in a deficit of Kshs.283,308,738.00 for the year ended 30 June 2015. The source of funding for payments totalling Kshs.283,308,738.00 during the year has not been explained.

82. Bank Balances

The Bank reconciliation statement as at 30 June 2015 reflects cashbook balance of Kshs.96,267,835.60 which differs with the balance of Kshs.58,832,636.15 shown in the statement of financial position by Kshs.37,435,199.45.

Further, the supporting schedules to the reconciliation statement show figures only without description of reconciling items. It is, therefore, not clear what the reconciling figures represent.

The reconciliation also reflects a cashbook adjustment of Kshs.754,000,000.00 dated 16 May 2014 which is referred to as overstated receipts. The cashbook was debited on 13 May 2014 with an amount of Kshs.837,748,634.50 instead of Kshs.83,748,634.50. The adjustment was, however, reversed on 29 June 2015 and no explanation has been given for the transaction and why the error was reinstated.

In the circumstances, the accuracy of the cash balance in the statement of the financial position could not be confirmed.

STATEMENT OF EXPENDITURE – SUBSCRIPTIONS TO INTERNATIONAL ORGANIZATIONS

Basis for Adverse Opinion

83. Accounting Policies

Contrary to the requirements of International Public Sector Accounting Standards - Cash Basis specific accounting policies used for significant transactions and other events have not been disclosed in the financial statements.

84. Unconfirmed Balances

84.1 The statement of details of Kenya Government share subscription and capital contribution to twelve International Organizations reflects local value of subscriptions totalling Kshs 117,444,637,095 00 against various amounts in foreign currencies as at 30 June 2015. However, independent confirmation of the balances as at 30 June 2015 was received from seven organizations only. In addition, the amount confirmed by four out of those seven organizations differs with the balances reflected in the statement submitted by the National Treasury as follows

Organization	Balance as per the Statement (Foreign currency)	Balance as per the Statement (Local value) Kshs.	Balance as per the Confirmation (Foreign currency)
i. International Monetary Fund	SDR 261,156,794 00	36,397,422,379 78	SDR 258,124,458 00
ii. African Development Bank	Unit of Account 260,960,000 00	35,481,165,440 00	Unit of Account 915,260,000 00
iii. E.A. Development Bank	Unit of Account 80,000,000 00	10,877,120,000 00	Unit of Account 73,800,000 00
iv. African Capacity Building Initiative	US dollars 250,000 00	24,659,850.00	US dollars 500,000.00
	TOTAL	82,780,367,669.78	

84.2 Independent confirmation of Kenya Government share subscription and capital contribution was not received from five organizations listed below in spite of a request to the National Treasury to ask them to confirm the balances as at 30 June 2015

Organization	Balance as per the Statement (Foreign currency)	Balance as per the Statement (Local Value) Kshs.
(i) International Bank for Reconstruction and Development	US dollars 296,882,735 02	29,284,334,852 73
(ii) International Finance Corporation	US dollars 4,041,000 00	398,601,815 40
(iii) Shelter Afrique	US dollars 2,000,000 00	197,278,800 00

(iv) P.T.A. Bank	Unit of Account 26,680,000.00	3,627,519,520.00
(v) Macro- Economic Financial Management Institute	US dollars 125,000.00	12,329,925.00
	TOTAL	33,520,064,913.13

The accuracy of the above balances totalling Kshs.33,520,064,913.13 could not be ascertained.

85. Bank Reconciliation

In the report for 2013/2014, reference was made to failure to provide a bank reconciliation statement for the balance of Kshs.2,601,589.25 reflected as at 30 June 2014 in the cash book for Recurrent Account No.01-010-R053: Subscriptions to International Organizations. The bank reconciliation statement as at 30 June 2014 which has been provided subsequently reflects a bank balance of Kshs.2,327,778.30 which differs with a nil balance shown in the bank certificate.

In addition, no bank reconciliation statement as at 30 June 2015 has been provided for audit.

THE PRESIDENCY

FINANCIAL STATEMENTS FOR VOTE 101

Basis for Qualified Opinion

86. Proposed Conversion of Mechanical Workshop to Offices at State House and Stalled Project for the Construction of Mechanical Workshop and Petrol Station

In paragraph 209 of the report for 2012/2013, attention was drawn to the irregular payment of Kshs 88,826,396 00 to a contractor who was constructing a mechanical workshop and petrol station at state house that had stalled . Although the matter was discussed before Public Accounts Committee (PAC), a determination was not made as the project was to be evaluated by the relevant technocrats to determine value for money.

However, before the evaluation was done, State House awarded a new contract of Kshs 137,407,865.00 to another contractor for conversion of the mechanical workshop to offices

There were indications that the stalled project costing KShs 88,826,396 00 was demolished to pave for the construction of new project, therefore, the value for money for the initial expenditure could not be confirmed in accordance with Section 68(1)(a) and (b) of the Public Finance Management Act (2012)

Consequently, the propriety and lawfulness of the expenditure amounting to Kshs.88,826,396 00 could not be confirmed

87. Pending Bills

Records maintained by the Presidency indicate that bills amounting to KShs 949,634,649 00 chargeable to Vote 1011 and relating to 2014/2015 were not paid during the year under review but instead were carried forward to 2015/2016 Had these bills been paid and the expenditure charged to the accounts for 2014/2015, the financial statements would have reflected deficit of Kshs 946,484,649.00 instead of net surplus of Kshs 3,150,000 00 now shown

MINISTRY OF DEFENCE
FINANCIAL STATEMENTS FOR VOTE 104

Basis for Qualified Opinion

88. Payment of Taxes on Imported Goods to Kenya Revenue Authority

Examination of records maintained at Ministry of Defence show that Kshs 162,296,569 25 was issued as imprests to officers serving at Central Supply Depot (CSD) and Kenya Air Force Logistics Branch for purposes of clearing goods from various ports of entry on behalf of Kenya Air Force

It has been explained that Kshs 162,296,569.25 was paid in A/c No 01003058230400 at National Bank of Kenya owned by KRA Customs and Excise Tax COLLN

It has further been explained that the amount was in respect of Value Added Tax (VAT) and Excise Duty on imported military equipment after verification by Kenya Revenue Authority However, a diligent check of tax returns submitted by Kenya Revenue Authority does not reflect receipt of the stated amount

In addition records further show that these payments were made through Camp Administration Unit (CAU) Account No. 100100902600 at National Bank where the Ministry transfers money from Recurrent Bank Account No.1000181435 at Central Bank of Kenya. However, the bank statement for Camp Administration Unit (CAU) Account No. 100100902600 at National Bank has not been availed by the Ministry of Defence despite the fact that several requests have been made contrary to Section 37(a)(i) and (ii) of the Public Audit Act.,2003

In the circumstances, therefore, it is not possible to confirm that the value for money was obtained in the expenditure totalling Kshs 162,296,569 25 as required by Section 68(1)(a) and (b) of Public Finance Management Act, 2012 and that the expenditure is lawful as required by Article 229(6) of the Constitution of Kenya, 2010

89. Procurement and Utilization of Hydraulic Excavators

Examination of records shows that the Ministry procured two (2) Caterpillar 374DL through direct procurement from a supplier in 2011/2012 financial year. The contract price was Kshs 185,323,994 10 which was paid through a letter of credit to Barclays Bank vide Payment Voucher No DPL LOGS/MSSR 62 dated 8 June 2011. Subsequently, the two (2) Caterpillar 374DL hydraulic excavators were received, inspected and taken on charge both at DEFOD Kahawa and 12 Engineers BN in Thika in 2012. The management has not explained why direct procurement method was used instead of open tender

89.1 Under Utilized Excavators at 12 Engineers BN

Although the Ministry of Defence spent Kshs 185,323,994 10 on urgent purchase of the two heavy duty excavators for the purpose of road construction, civil works and disaster management, examination of records maintained at 12 Engineers BN reveals that they have never been used for the intended purposes except training. The Ministry has not justified the basis for incurring huge expenditure on underutilized excavators

89.2 Delays in Repairs of the Equipment by the Vendor

Information and documents obtained from 12 Engineers BN indicates that a Quick Coupler Cylinder in one of the two excavators was broken during training on 21 May 2015 and the supplier carried the component for repairs. However, an audit inspection undertaken on 16 October 2015 reveals that the component has not been returned, therefore, the equipment has remained unserviceable. No justification has been provided for the delay in repairs and maintenance of the equipment

89.3 Overpricing

Examination of records further reveals that the prices for excavators were higher than the prevailing market prices as a market survey undertaken by the user indicates that the estimated cost of the two excavators is Kshs 40,000,000 00 while the actual purchase price of the two excavators is Kshs 185,323,994 10, resulting in excess and illegal payment of Kshs 145,323,994 50

Under the circumstances, it is not possible to confirm that value for money was obtained in an expenditure totalling Kshs 185,323,994 10 as required by section 68 (1) (b) of the Public Finance Management Act, 2012

90. Examination of Contract Records for Erection and Completion of 144 Married Quarters at Kenyatta Barracks-Gilgil

Examination of contract records maintained at the Ministry of Defence Headquarters relating to the erection and completion of 144 Married Quarters at Kenyatta Barracks-Gilgil revealed unsatisfactory and unexplained matters as follows -

Initial Contract

A tender was awarded to Capital Construction Company at a contract sum of Kshs 346,658,629 00 vide tender No D08 RV/NKU/401 - JOB NO 1087P for erection and completion of one hundred and forty four (144) Married Quarters at Kenyatta Barracks-Gilgil

The work commenced on 14 October, 2005 and was planned for one hundred (100) weeks, with completion date expected to be 22 September, 2007. The Scope of works included construction of 144 number three bed-roomed houses

in twenty four (24) blocks, associated civil work (roads and sewerage); associated electrical and mechanical works; and high and low level water storage tanks.

Examination of records showed that there was slow progress of work and the contractor was unable to complete the work as expected. The contract period was revised and extended by eighty eight (88) weeks over and above one hundred (100) weeks and the new completion date was expected to be 30 June, 2009 after considerations by the two parties. However, the contractor defaulted and failed to meet the new completion time.

The Ministry therefore decided to terminate the contract. By the time the contract was terminated, only 61% of the work had been completed. However, the contractor had been paid Kshs.297,354,059.74 representing 86% of the contract sum of Kshs.346,658,629.00 indicating an apparent overpayment of Kshs.85,892,295.00.

On commencement of the contract, the Ministry had paid the contractor an advance of Kshs.34,665,863.00 against a bank guarantee from a financial institution on the understanding that the amount would be periodically reduced by amounts recovered by the Ministry from proceeds of the contract. By the time the contract was terminated the Ministry had recovered a sum of Kshs.30,222,854.89 leaving a balance of Kshs.4,443,008.11. The Advance Payment Guarantee expired on 26 August 2007.

90.1 Contracts for Proposed Completion of 144 Married Quarters – GILGIL

Examination of contract records maintained at Defence Headquarters on the proposed completion of 144 Married Quarters at Kenyatta Barracks shows that three contracts were awarded to one contractor at a total tender sum of Kshs.660,000,000.00 as follows:-

Contract	Contract Sum - Kshs	Completion Date
Phase I	169,000,000.00	14.05.2014
Phase II	221,000,000.00	6.08.2015
Phase III	270,000,000.00	In progress
Total	660,000,000.00	

90.2 Delay in Completion of Works

An audit inspection of the works carried out during the month of April 2015 reveals that 144 MQS at Gilgil which was planned to be completed by 30 June 2009, has not been completed due to various reasons:-

- (a) Termination of initial contract
- (b) Post election violence in 2007/2008
- (c) Change of specifications

(d) New tax regime of VAT at 16% on imported materials and direct withholding income tax resulting in escalation of construction cost.

In these circumstances therefore, it is evident that there was poor financial planning that has increased the project's original cost of Kshs 346,658,629.00 to a combined cost of subsequent contracts awarded totalling Kshs 957,354,059 75

In this circumstance, therefore, it is not possible to confirm that the value for money would be obtained in the total expenditure of Kshs.957,354,059 75 as required by section 68 (1) (b) of Public Finance Management Act, 2012.

91. Pending Bills

The Financial Statements for the year ended 30 June 2015 show that bills totalling Kshs.4,187,353,000 00 chargeable to Recurrent Vote were not settled during the year 2014 / 2015 but were instead carried forward to 2015 / 2016 Analysis of pending bills records show a similar trend in their management as follows -

Financial Year	Amount (Kshs.)
2012/2013	4,463,081,170 85
2013/2014	3,924,997,000 00
2014/2015	4,187,353,000 00

In addition, the Ministry has not provided details of payees and the extent of individual debt for the three (3) years. Consequently, it is not possible to confirm the validity and completeness of pending bills amounting to Kshs.4,187,353,000 00; Kshs 3,924,997,000 00; and Kshs 4,463,081,170.85 purportedly incurred during three (3) consecutive financial years 2014/2015, 2013/2014; and 2012/2013

92. Non-Disclosure in the Statement of Receipts and Payments

The Statement of Receipts and Payments for the year ended 30 June 2015 reflects total payments of Kshs 80,072,421,000 00, out of which payments totalling Kshs 73,672,278,000 00, or approximately 92% of the total payments are shown as a block figure relating to military expenditure. The nature of this expenditure was not disclosed in terms of compensation of employees, use of goods and services, transfers to other Government units, acquisition of assets and other payments as required by the International Public Sector Accounting Standards (IPSAS) which provides that payments should be classified according to the nature and their function. Consequently, it is not possible to confirm its accuracy and completeness

MINISTRY OF FOREIGN AFFAIRS

FINANCIAL STATEMENTS FOR VOTE 105

Basis for Adverse Opinion

93. Revenue

The statement of receipts and payments for the Ministry reflects total revenue of Kshs.13,650,088,000.00 for the year ended 30 June 2015. Included in the above revenue balance is Kshs.767,091,000.00 for revenue collected as Appropriation In Aid from Visas, other consular Fees and Rental Income at various missions and embassies abroad. However, the accuracy and completeness of the reported revenue could not be ascertained due to the following unsettled and unreconciled differences: -

93.1 Loss of Revenue

Examination of revenue records at selected missions/embassies revealed that revenue collected during the financial year 2014 / 2015 is Kshs.285,533,779.00 while the actual revenue reported in the financial statements is Kshs.214,505,543.00 resulting in a loss of Kshs.71,028,236.00.

Diligence check of four (4) Missions / Embassies, revealed loss of revenue totalling Kshs.137,718,518.00 at London (Kshs.82,369,012.00); Rome (Kshs.47,434,515.00); Addis Ababa (Kshs.6,316,584.00) and Washington DC (Kshs.1,598,407.00) during the financial year 2013 / 2014.

93.2 Unauthorized refund of Appropriations-In-Aid

Although revenue records maintained at the Kenya Embassy in Pretoria revealed that revenue from visa fee amounting to Kshs.1,041,637.50 was refunded to the applicants, there is no original receipt to confirm that Kshs.1,041,637.50 was refunded to one hundred and forty one (141) applicants.

In addition, visa fees are not refundable; therefore, the Ministry should explain the basis for the refund if it was not fraudulent.

93.3 Loss of Visa Stickers

Examination of Counter Requisition and Issue Voucher No. 6818954 dated 13 February 2015 shows that 5,000 single journey visa stickers were issued to the Kenya Embassy in Washington DC while verification at the Embassy on 11 September 2015 revealed that 3,000 single journey visa stickers were received by the mission resulting in an unexplained loss of 2000 single journey visa stickers.

In this circumstance, it is not possible to confirm that 2,000 single journey visa stickers were lawfully used as required by Article 229 (6) of the Constitution.

93.4 Accuracy of Revenue Collected in Foreign Missions/Embassies

Examination of Estimates of Revenue, Grants and Loans of the Government of Kenya for the year ended 30 June 2015 s in item 1420225 that Immigration Visas and Other Consular Fees are Revenue Items and not Appropriations-In-Aid as printed in the Estimates and Reported in Financial Statements of the Ministry of Foreign Affairs and International Trade.

Although the Ministry explains that collected Revenue is used at source on the understanding that budgeted funds issued considers Revenue already utilized, there is no policy document availed that exempts the Ministry from use of controls developed by the National Treasury

In addition, audit of the Ministry's Headquarter and a selected sample of foreign missions/embassies show that Counter Receipt Book Register (CRRB) is not updated contrary to section 118 (2) of the Public Finance Management Regulations (2015) Consequently, the accuracy and completeness of Revenue reported in the Financial Statements could not be confirmed

94. Foreign Exchange Losses/Gains

Records made available for audit in selected Foreign Missions/Embassies indicate that exchange loss arising from fluctuation of the Kenya Shilling against other hard currencies was Kshs.109,217,653 30 while exchange gain was Kshs 27,925,602 60 These losses and gains have not been disclosed in the financial statements for the year 2014 / 2015

Further, examination of these records revealed that these losses arose from the fixing of exchange rate by the Ministry of Foreign Affairs through letters Ref MFA FIN 2/16 dated 11 February 2013 and MFA 501/FIN 2/16 dated 6 August 2015 instead of using the prevailing market exchange rates resulting in underfunding the budget of foreign Missions and Embassies by the similar amount purported to be losses

No reason has been given for the basis of fixing this rate that denies foreign Mission / Embassies funding already approved by National Assembly, a factor that could contribute to irregular use of Revenue and unauthorized Re-allocations

In addition, the same rate has been used to misrepresent the actual value of Revenue collected in foreign currency

95. Purchase of Office Property in Kampala

95.1 Advertisement

The Ministry of Foreign Affairs and International Trade advertised for the purchase of Office Property in Kampala Uganda in a local daily newspaper

95.2 Appointment of Technical/ Tender Processing Committee

The Ministry then appointed a technical team tasked to initiate the process of "Procurement of Chancery Building at Kampala" whose professions include

- (i) Procurement Expert
- (ii) Structural Engineer
- (iii) Architect
- (iv) Valuer
- (v) Asset Management Expert
- (vi) Finance Expert
- (vii) High Commissioner to Kampala

95.3 Characteristics of Property Required

The characteristics of the required property defined in the advertisement were confirmed by the technical team as follows

- i) Location – The property should be located in Kololo
- ii) Size of the Plot – The property should be a minimum of half (1/2) an acre or above
- iii) Accommodation – The building should at least be double storied with a minimum plinth area of 900 square metres
- iv) External Facilities – should include guard house, parking area etc or adequate space to accommodate them
- v) Services – the property should be well serviced with infrastructural facilities

95.4 Opening of Bids

Twelve (12) bidders responded and their bids were opened on 7 November 2014, after which the Technical/Tender Processing Committee disqualified five (5) bids on technical grounds.

The remaining seven (7) bids were further subjected to a financial evaluation which was carried out on 21 November 2014 and ranked as follows. -

Bidder ranking	Description	Bid price (USD)
1	Lowest qualifying responsive bid	2,500,000
2	Second lowest qualifying responsive bid	3,620,000
3	Third lowest qualifying responsive bid	3,650,000
4	forth lowest qualifying responsive bid	3,850,000
5	fifth lowest qualifying responsive bid	3,950,000
6*	Sixth lowest qualifying responsive bid	5,500,000
7	seventh lowest qualifying responsive bid	6,500,000

However, the bidder ranked number 6 was later disqualified since the property required redevelopment.

The Technical/ Tender Processing Committee recommended that the lowest bidder be awarded the contract at a price of USD 2,500,000 after confirmation of the following,

- (i) validation by a competent valuer familiar with local property market;
- (ii) due diligence and conveyance to precede payment to the bidder
- (iii) if due diligence of the property is found unsuitable consideration be given to other five properties in order of bid price

95.5 Award of Purchase Tender

In response to the draft audit report additional information was made available as follows. -

- (i) A letter from the Ministry to Principal Secretary, Ministry of Lands, Ref. MFA.HSE 9/31A dated 31 December 2014 requesting for a nomination of a valuer to provide an opinion of the likely current market price of the property. However, the Ministry of Lands nominated a building surveyor instead
- (ii) Tender Processing Committee (TPC)'s basis for use of a percentage (%) variance between the bid price and valuation price to rank the bids for award. The Committee further explained that value for money is best achieved where there is least variance between bid price and valuation price
- (iii) Minute number MFA/MTC/020/2014-2015 for the Ministerial Tender Committee (MTC)'s meeting held on 20 February 2015 which approved that the sixth bid valued at USD 6,500,000 is the highest value for money for the purposes of purchasing the building

95.6 Audit Observations

Whereas the expenditure of USD 6,500,000 was sanctioned at the Ministerial level, it is noted that the originally intended procurement plan was not adhered to

96. Cash and Cash Equivalents

96.1 Understatement of Cash balance

A further examination of these balances reveals understatement and overstatement of Kshs 672,027,243 00 and Kshs 21,808,573 00 respectively from various Missions and Embassies.

In view of these inaccuracies, it is not possible to confirm the correctness of cash and cash equivalents balance of Kshs 1,228,765,000 00 reflected in the financial statements for 2014 / 2015 financial year

96.2 Unauthorized/Dormant Bank Accounts

Audit of financial records maintained at the Kenya Embassy Berlin has revealed that the Embassy operates three (3) fixed deposit bank accounts with a combined account balance of Kshs.38,817,092.00 as follows: -

A/C NO.	Amount (Euro)	Amount (Kshs.) @117.50
266014001	90,358.23	10,617,092.00
2660140011	140,000.00	16,450,000.00
2660140013	100,000.00	11,750,000.00
Total	330,358.23	38,817,092.00

Although the purpose and the nature of transactions relating to these accounts have not been explained, the Ministry has casually explained that the former Financial Attache' disappeared with crucial financial records.

96.3 Outstanding Imprest

The financial statements for the year ended 30 June 2015 show that temporary and standing Imprests totalling Kshs.37,737,301.50 and Kshs.269,320.00 respectively which ought to have been surrendered or otherwise accounted for, on or before 30 June 2015 were still outstanding as at that date.

Analysis of the outstanding imprest shows that outstanding imprest is a common trend in the Ministry's financial statement as follows:

Financial Year	Amounts (Kshs)
2012/2013	22,585,372.00
2013/2014	577,201.00
2014/2015	14,844,047.00

Although it is a requirement that imprest holders should account or surrender imprest within seven (7) working days after return to duty station, the Ministry has not explained reasons for long outstanding imprests.

In addition, the accounting officer has not recovered the outstanding imprest from the defaulting officer's salary with an interest, therefore, the Accounting Officer is in breach of the regulations on imprests.

96.4 Bank Reconciliation Statements

- (i) Examination of the Agency bank statement at the Kenya Embassy in Pretoria for the month of May 2015, revealed that deposits of Kshs.31,817,748.20 (R 3,230,228.24), were received in the bank account but were neither posted in the cash book nor reflected in the bank reconciliation statement.

- (ii)** Examination of the Recurrent Account Reconciliation statement for the month of May 2015 revealed that payments in bank statement not in cashbook amounting to Kshs 10,096,743 90 (R 1, 025,050 14) included in that month's reconciliation statement were excluded from the month of June 2015 reconciliation statement. No documentary evidence was provided to support the clearance or exclusion of the balances from the June 2015 reconciliation statement.
- (iii)** The Bank Reconciliation Statements for the mission for both Recurrent and Agency Accounts for the month of June 2015 revealed long outstanding reconciling items amounting to Kshs 54,442,864 09 which have not been cleared. As a result, the accuracy of the bank reconciliation statements as at 30 June 2015 could not be ascertained.

MINISTRY OF HEALTH

FINANCIAL STATEMENTS FOR VOTE 108

Basis for Qualified Opinion

97. Cash and Cash Equivalents

97.1 Un-surrendered Old Deposit Balances from Former Ministries

Included in the statement of financial assets as at 30 June 2015 is cash and cash equivalents amount of Kshs 93,169,865 50 out of which a deposit amount of Kshs 9,662,670 95 had no supportive documentary evidence. In the absence of supporting documents, the accuracy and validity of the deposits' balance could not be confirmed

Further information revealed that deposits totaling Kshs 10,956,114,687 that were held in former Ministries of Medical Services and Ministry of Public Health and Sanitation (which merged to form Ministry of Health) were never transferred to the new deposit account contrary to Treasury Circular No AG/CONF 17/01/65 dated September, 2013 which required deposits in former Ministries to be analysed and transferred to new accounts.

97.2 Bank Reconciliation – Deposit Account

The bank reconciliation statement for the deposit cash book as at 30 June 2015 reflects payments in cash book not recorded in the bank statement totaling Kshs 3,239,840 34 which include an amount of Kshs.796,853 80 in respect of stale cheques. No reason has been given for failure to replace the cheques or have them credited back in the cash book. The statement also reflects receipts in the bank statement not recorded in the cash book totaling Kshs 14,259,210 45 out of which an amount of Kshs 38,176 has been outstanding for more than six months. No reason has been given for delay in entering the amount in the cash book. The statement further reflects payments in bank statement not in cash book totaling Kshs 3,088,959 25 out of which Kshs 2,160,701 has been outstanding for more than six months. No reason has been provided for the delay in recording these payments in the cash book. Also the statement reflects receipts of Kshs.2,424,362.64 in the cash book but not recorded in the bank statement. As in the previous instance, no explanation has been given for the inordinate delay

97.3 Bank Reconciliation - Recurrent Account

The bank reconciliation statement for the recurrent cash book as at 30 June 2015 reflects payments in cash book not recorded in the bank statement (unpresented cheques) totaling Kshs 589,908,796 which include stale cheques amounting to Kshs 226,185,755 23. No reason has been given for failure to replace or reverse them in the cash book. The statement also reflects receipts in the bank statement

not recorded in the cash book totaling Kshs 230,952,169 15 out of which Kshs 187,606,758 has been outstanding for more than six months. No reason has been given for delay in updating the cash book. The statement also reflects payments in bank statement not in cash book totaling Kshs.751,403,494 35 out of which Kshs 547,394,511.13 has been outstanding for more than six months. No reason has been provided for the delay in recording these payments in the cash book. Also, the statement reflects receipts of Kshs.49,703,450 78 in the cash book but not recorded in the bank statement. As in the previous instance, no explanation has been given for the inordinate delay.

97.4 Bank Reconciliation – Development Account

The bank reconciliation statement for the development cash book as at 30 June, 2015 reflects payments in cash book not recorded in the bank statement (unpresented cheques) totaling Kshs 231,361,480.77, which include stale cheques amounting to Kshs.196,861,199 10. The cheques have not, however, been replaced or reversed in the cash book and no reason has been given for the anomaly.

The statement also reflects receipts in the bank statement not recorded in the cash book totaling Kshs.12,201,878.40 out of which Kshs 1,329,835 85 has been outstanding for more than six months. No reason has been given for delay in updating the cash book.

The statement also reflects payments in bank statement not in cash book totaling Kshs 233,066,610.58 out of which Kshs 228,732,931 10 has been outstanding for more than six months. No reason has been provided for the delay in recording these payments in the cash book.

Further, the statement reflects receipts of Kshs 5,373,247.05 in the cash book but not recorded in the bank statement. As in the previous instance, no explanation has been given for the inordinate delay.

Consequently, the cash and cash equivalents balance of Kshs 93,169,865 50 as at 30 June 2015 could not be confirmed.

98. Outstanding Imprest

The statement of assets and liabilities reflects outstanding imprests totaling Kshs.26,818,240 which ought to have been accounted for on or before 30 June 2015 but were still outstanding. It was also observed that various officers were issued with new imprests before accounting for the previous ones contrary to Government Financial Regulations and Procedures governing the issue of imprest.

99. Authority to Incur Expenditure Issued to KEMRI

The statement of receipts and payments reflects expenditure on acquisition of assets of Kshs 1,789,036,840 95. Included in this is an amount of

Kshs.224,000,000 in respect of Authority to Incur Expenditure issued to KEMRI during the year under review. However, no expenditure returns have been availed for audit verification in support of this expenditure. Consequently, it has not been possible to confirm the propriety of the expenditure of Kshs.1,180,986.824.

100. Unsupported Expenditure

The statement of receipts and payments further reflects total expenditure of Kshs.39,281,413,214. Included in this balance is an expenditure amounting to Kshs.178,025,962 whose payment vouchers and other related supporting records were not availed for audit review as detailed in the following table.

Component in financial statements	Sub component	Nature of expenditure	Total Component amount (Kshs)	Sub component amount (Kshs)	Supported (Kshs)	Un-supported (Kshs)
Non-current assets	Moi Teaching and Referral Hospital	Civil works	1,180,986,824	225,177,436	92,524,945	12,290,920
Non-current assets	Project management unit	Civil works				51,095,998
Non-current assets	District health services	Civil works				48,888,303
Non-current assets	Mental health services	Civil works				20,377,270
Non-current assets	National Quality Control Laboratory	Equipment		669,081,288	623,707,817	20,614,321
Non-current assets	Spinal Injury Hospital	Equipment				24,759,150
Total				1,180,986,824	894,258,724	716,232,762

In the absence of supporting payment vouchers and other records, the propriety of the expenditure of Kshs.178,025,962 forming part of the total expenditure of Kshs.39,281,413,214 in the statement of receipts and payments could not be confirmed.

101. Pending Bills

Records maintained by the Ministry of Health indicate that bills totaling Kshs.4,791,655,574 were not settled during the year 2014/2015 but were instead carried forward to 2015/2016. Had the bills been paid and the expenditure

charged to the account for 2014/2015 the statement of receipts and payments for the year would have reflected an increased deficit of Kshs 4,869,625,142 instead of Kshs 77,969,567 75 shown in the statement of receipts and payments.

102. Stalled Project - Proposed Upgrading of Othaya District Hospital Phase I

As previously reported, the Ministry awarded a contract for the upgrading of facilities at Othaya Sub District Hospital to a local construction firm at a price of Kshs.436,300,798 80 which was later revised to Kshs 501,745,918 50. The initial completion period was 85 weeks but was extended to 123 weeks with new completion date being 25 October, 2012. A status report dated 21 February, 2014 indicates cumulative payments of Kshs 501,745,917.70 representing 99.9% of the revised contract sum of Kshs 501,574,918 70. At the time of the audit, 192 weeks had elapsed, which was 69 weeks over and above the contract period of 123 weeks.

The Ministry reported an expenditure of Kshs 3,911,981 for construction of Othaya sub-district hospital which accumulated to Kshs 578,542,747 as at 30 June 2015 which, when compared against the initial contract value of Kshs 436,300,798 gives rise to a variation of Kshs 142,241,948 which is about 33% that has not been supported. It was further noted that the above variation excludes a 10% reduction in scope of work which if considered will give variation of upto 43% at the close of the financial year. No project progress reports have been availed for audit review.

Despite this apparent overpayment, the following works were outstanding

- (a) Floor tiling and grouting
- (b) Wall tiling
- (c) Window glazing
- (d) Window stays and fasteners
- (e) Ceiling
- (f) Fixing of door leaves, locks, and glazing
- (g) Internal and external painting
- (h) Ramp and staircase finishes
- (i) Worktop and counter finishes
- (j) Road drainage
- (k) Medical gas installation

An inspection of the project in November 2015 revealed that the contractor and subcontractors were not on site. Although it is indicated that the project had been terminated on a mutual agreement no documentary evidence was made available for audit verification. Further, no evidence has been provided that the performance guarantee had been recalled and discharged against uncompleted works.

Further information shows that the directorate gave an estimate for completion of outstanding works as Kshs.272,500,000. Though the Ministry put a request to National Treasury for funding, Treasury responded by advising that health was a devolved function and therefore Nyeri County should take over. Consequently, it was not possible to ascertain whether the Government obtained value for money for the expenditure of Kshs.578,542,747.

Other Matter

103. Budget Control and Performance

The Ministry of Health had an approved total budget of Kshs.54,107,049,563.00 voted for the financial year 2014/2015 comprising of Kshs.29,259,165,573 for recurrent vote and Kshs.24,847,883,990.00 for development vote. This was an increase of Kshs.8,893,595,443.00 or approximately 19.7% compared to financial year 2013/2014.

The budget absorption was as follows:

Item	Budgeted Allocation 2014/2015 (Kshs)	Actual 2014/2015 (Kshs)	Under Absorption (Kshs)	Absorption rate %
Recurrent	29,259,165,573	23,609,440,324	5,649,725,249	80
Development	24,847,883,990	15,671,972,890	9,175,911,100	63
Total	54,107,049,563	39,281,413,214	14,825,636,349	

Although the recurrent budget absorption and utilization rate was above three quarters i.e 80%, the budget utilization rate for the development budget was just slightly above half i.e. 63%. The implication of this is that almost half of the budgeted development programmes were not implemented.

104. Ethnic Composition of Staff

The Ministry did not provide the summary of ethnic composition of its staff. It was therefore not possible to confirm whether the Ministry has complied with Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008 which requires all public establishments to seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall have more than one third of its establishment from the same ethnicity community.

DONOR FUNDED PROJECTS

EAST AFRICA PUBLIC HEALTH LABORATORY NETWORKING PROJECT CREDIT NO.4732-KE

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

GAVI HEALTH SYSTEMS STRENGTHENING PROJECT

Basis for Disclaimer of Opinion

105. Deficit brought forward

As reported in 2013/14 audit report, the statement of receipts and payments reflected a balance of negative Kshs 2,604,445 60 as at 30 June, 2013 while the cash book balance carried forward as at the same time reflected a bank balance of Kshs 544,410.65 A review of the position in the financial year 2013/2014 showed that the deficit was cleared during that year However, no documentary evidence was availed to explain how the deficit of Kshs.2,604,445 60 was cleared It is therefore not possible to confirm the validity of these balances in the financial statements

106. Bank Balances

As reported in 2013/2014, the statement of assets and liabilities as at 30 June 2015 reflected a bank balance of Kshs 644,993 However, the bank confirmation certificate and bank reconciliation statement in support of the balance of Kshs 644,993 have not been availed for audit review. Consequently, the validity and accuracy of the bank balance of Kshs 644,993 00 could not be ascertained

GLOBAL FUND MALARIA ROUND 4 (GRANT NO. KEN-405-G06-M)

Unqualified Opinion

There were no material issues noted in the audit of the financial statements

GLOBAL FUND MALARIA ROUND 10 GRANT NO. (KEN-011-G13-M)

Unqualified Opinion

There were no material issues noted in the audit of the financial statements

**KENYA HEALTH SECTOR SUPPORT (EMMS COMPONENT 2) PROJECT
(IDA NO. 4771-KE AND 5034-KE)**

Unqualified Opinion

There were no material issues noted in the audit of the financial statements

OUTPUT BASED APPROACH (OBA) PROJECT CREDIT NO.201065853

Unqualified Opinion

There were no material issues noted in the audit of the financial statements.

MINISTRY OF LANDS, HOUSING AND URBAN DEVELOPMENT

FINANCIAL STATEMENTS FOR VOTE 111

Basis for Qualified Opinion

107. Fuel Consumption

Included in the use of goods and services balance of Kshs 2,843,785,974 in the statement of receipts and payments for the year ended 30 June 2015 is fuel, oil and lubricants amounting to Kshs 13,271,359. However, review of documents indicated that seven (7) payment vouchers totaling Kshs 2,812,723 for the purchase of fuel by the Ministry could not be confirmed due to lack of fuel registers. Further, payment vouchers totaling Kshs 4,515,020 in respect of supply of fuel oil, lubricants and cooking gas could also not be traced. In the circumstances, the propriety of the expenditure amounting to Kshs 7,327,743 included under the use of goods and services in the statement of receipts and payments for the year ended 30 June 2015, could not be confirmed.

108. Inaccuracies in the Financial Statement

Included in the use of goods and services balance of Kshs 2,843,785,974 in the statement of receipts and payments for the year ended 30 June 2015 is expenditure for rentals of produced assets amounting to Kshs 122,010,912. Included in this expenditure is Kshs 19,343,501 which relates to office and general supplies and services but which was charged to rentals of produced assets. Consequently, the account totals for the office and general supplies and services and that of rentals of produced assets are misstated by Kshs 19,343,501 for the year ended 30 June 2015.

109. Consultancy Services

Included under acquisition of non-financial assets in note 18 to the financial statements is expenditure for research, studies, project preparation, design and supervision amounting to Kshs 631,999,169. However, eight (8) payment vouchers in respect of consultancy services under this item amounting to Kshs 198,016,041 and reflected in the general ledger were not availed for audit review. In the absence of the payment vouchers and other support documents, the propriety of the expenditure totaling Kshs 198,016,041 included in the acquisition of non-financial assets in note 18 to the financial statements for the year ended 30 June 2015 could not be confirmed.

110. Construction and Civil Works

Included under note 18 to the financial statements, is construction and civil works balance of Kshs 7,080,434,098. This amount includes Kshs 526,324,508 being transfer to Kenya Municipal Project and which had not been remitted by the end of the financial year. In view of the above, it has not been possible to confirm the

accuracy and validity of the balance for construction and civil works of Kshs.7,080,434,098 for the year ended 30 June 2015.

111. Overhaul and Refurbishment of Construction and Civil Works

Included under acquisition of non-financial assets in note 18 to the financial statements is overhaul and refurbishment of construction and civil works of Kshs.851,818,580 as at 30 June 2015. Included in this figure are payments amounting to Kshs.437,221,281 for the construction of bus parks and stadiums across the country. However, information on the current status of these projects was not availed for audit review. Further, payment vouchers amounting to Kshs.58,681,166 were not availed. In addition, included in the amount is also a transfer of Kshs.117,000,000 whose supporting documents were not availed for audit review.

Under the circumstances, the balance for overhaul and refurbishment of construction and civil works of Kshs.851,818,580 could not be confirmed.

112. Accounts Payable – Deposits and Retentions

The statement of assets reflects accounts payable – deposits and retentions of Kshs.1,726,622,234 as at 30 June, 2015. However, this figure does not include deposits from Urban Development Department and Department of Public Works amounting to Kshs.66,198,441 and Kshs.7,252,776 respectively. The Ministry has not explained these anomalies. Under the circumstances, it has not been possible to ascertain the accuracy of accounts payable - deposits and retentions amount of Kshs.1,726,622,234.

113. Employment of Casuals

In 2014/2015 financial year, the Ministry engaged casuals to do various activities within the Ministry. Payment vouchers examined in respect of payments to casuals amounted to Kshs.16,538,000. However, the records available indicated that the approved expenditure for the same was Kshs.10,000,000 resulting to an over-expenditure of Kshs.6,538,000. The Ministry has not provided parliamentary approval for the excess expenditure.

114. Purchase of Office Furniture and General Equipment

Purchase of office furniture and general equipment in note 18 to the financial statements stood at Kshs.145,276,445 as at 30 June 2015. However, schedules availed for audit review relate to meals and stationery amounting to Kshs.4,125,000. Further, two (2) adjustments by the Ministry of Land, Housing and Urban Development amounting to Kshs.60,430,875 were not explained nor payment vouchers produced for audit review. In the circumstances, the figure for purchase of office furniture and general equipment of Kshs.145,276,445 could not be confirmed.

115. Summary of Fixed Assets

The financial statements for the year ended 30 June 2015 did not include a summary of fixed assets statement as an annex contrary to the prescribed reporting template as issued by Public Sector Accounting Standards Board. In the absence of this summary of fixed assets, the financial statements are not in compliance with the accounting standards.

116. Deposit Account

Included in the statement of assets as at 30 June 2015 is accounts payables – deposit and retentions balance of Kshs 1,726,622,234. Bank reconciliation statement in respect of this deposit balance includes Kshs 95,899,288 being receipts in cashbook not yet in the bank statement. Out of this amount, Kshs 63,761,571 has been outstanding since June 2014. The Ministry has not explained why the above monies had not been banked. In addition, the entire amount of Kshs 95,899,288 had not been included in the Board of Survey report as a part of the cash in hand as at 30 June 2015. Further, receipts in bank not in the cashbook amounting to Kshs 423,133,265.35 and payments in bank not in cashbook amounting to Kshs 121,551,619 were outstanding and no adjustment had been made in the cashbook. In the circumstances, it has not been possible to confirm the accuracy of accounts payables – deposits' and retentions balance of Kshs 1,726,622,234 in the statement of assets.

Other Matter

117. Office of the County Director of Housing – Nakuru

117.1 Irregularly Alienated Government Houses

The housing inventory records maintained by the County Director of Housing show that a total of 121 housing units of medium and high grade houses in Nakuru have changed ownership from Government to private. However, no records were provided regarding the disposal process and the amounts realized from the sale.

117.2 Doubtful Cash Transactions

Examination of the expenditure records revealed that the Department made cash purchases amounting to Kshs 1,989,860 contrary to the provisions of the procurement regulations. However, these items were taken on charge and issued out to user section. The Department also spent a sum of Kshs 359,162 for the payment of casual workers for the construction of a wall without evidence of the relevant dates that they were engaged. Physical verification done on 17 August, 2015 revealed no evidence of such a structure.

117.3 Overpayment of Civil Works

The Nakuru Country Director of Housing on 25 March, 2015 entered into agreement with a contractor for the construction of three (3) electrical floor lighting structures in Jowatho Estate Njoro at a contract sum of Kshs 11,995,205.

The amount included a sum of Kshs.1,577,994 in respect of provisional and prime costs.

Although the contractor was paid a total of Kshs.11,995,205, the certificate attached to the voucher reflected a sum of Kshs.11,410,646 resulting in overpayment of Kshs.584,559. Further, no documents were provided to support the payment for the provisional and prime costs of Kshs.1,577,994.

117.4 Unconfirmed Procurement of Machinery Spares and Hardware Materials

The County Director of Housing paid Kshs.439,000 to a supplier for the procurement of Hydra Form Equipment spare parts. It was noted that although the Local Purchase Order (LPO) No. 1080675 was issued to the supplier on 26 January, 2015, analysis of quotations from bidders was done on 27 January, 2015. Further, a counter receipt voucher was raised on 27 January, 2015 to reflect that the items were received. However, there was no evidence that the spare parts were taken on charge and a job card provided to show that the repairs had been carried out on the hydro form equipment. Further, Kshs.494,400 was also paid to the same supplier for the purchase of hardware materials. However, the items were not taken on charge.

117.5 Payment for House Repairs and Renovation not Undertaken

A local firm was contracted to carry out repairs on four residential houses namely:- NAKURU/HOU/MG 169 A and B and NAKURU/HOU/MG 171 A and B at State House, Nakuru, at a total cost of Kshs.1,184,238.

According to the bill of quantities (BQ), repair and redecoration of two of the houses, NAKU/HOU/MG 169A and B was done at a cost of Kshs.640,273. However, physical verification done on 17 August, 2015 revealed that various fittings and installations costing Kshs.152,900 were paid for but not done. Similarly, the BQ also indicated that another two of the houses NAKU/HOU/MG 171 A and B were to be repaired and redecorated at a cost of Kshs.543,965. However, physical verification revealed that no work was done.

In the circumstances, the propriety of the payments amounting to Kshs.6,141,840, and ownership status of 121 housing units under the County Director of Housing in Nakuru could not be ascertained.

118. Budgetary Controls and Performance

The Ministry of lands, Housing & Urban Development had a total budget of Kshs.29,706,194,169 voted for the financial year 2014/2015 comprising of Kshs.25,307,196,242 for Development and Kshs.4,398,997,927 for Recurrent expenditure. This was an increase of 35.42% compared to 2013/2014 financial year budget of Kshs.21,935,078,040.

The budget absorption was as follows:

Item	Budgeted Allocations 2014/2015	Actual 2014/2015	Under Absorption	Absorption In %	As % of Total Expenditure
Recurrent	4,398,997,927	4,152,973,744	(246,024,183)	94.41	22.4
Development	25,307,196,242	14,387,772,550	(10,919,423,692)	56.85	77.6
Total	29,706,194,169	18,540,746,294	(11,165,447,875)	62.5	100

In view of the above, the Ministry failed to utilize funds totaling Kshs.11,165,447,875 out of which Kshs 10,919,423,692 relates to development projects. Failure to utilize funds for development is an indication of stagnation of development agenda in the Country and may impact negatively on citizens' standards of living.

119. Pending Bills

As disclosed in note 27.1 to the financial statements, the Ministry of Lands, Housing & Urban Development had a total of Kshs 3,704,994,723 as pending bills which were not settled as at 30 June 2015 but were carried forward to 2015/2016. Had the bills been paid and the expenditure charged to the account for 2014/2015, the statement of receipts and payments for the year would have reflected a reduced surplus from Kshs 152,494,510 to a deficit of Kshs 3,552,500,213.

My opinion is not qualified in respect to these matters.

REVENUE STATEMENT

Basis for Disclaimer of Opinion

120. Collection of Land Rent by KRA on Behalf of the Ministry

As shown in note 8 to the revenue statement, Kenya Revenue Authority collected and remitted Kshs 1,045,285,832.34 to the National Treasury during the year ended 30 June, 2015. However, as reported in the previous year, the Agency agreement between the Ministry of Land, Housing & Urban Development was not available for audit review for confirmation of specific terms and conditions of the agreement. Further, it was noted that schedules prepared and submitted by the Kenya Revenue Authority in support of the above collection amounted to Kshs 1,059,989,128.09. The resultant difference of Kshs 14,703,295.75 between the two sets of records has not been explained or reconciled. In the circumstances, it has not been possible to confirm the accuracy and validity of property income collected by KRA amounting to Kshs 1,045,285,832.34.

121. Arrears of Revenue

As reported in the previous year, the statement of revenue for the year ended 30 June, 2015 does not reflect arrears of revenue and revenue abandoned, as required by Public Finance Management Act, 2012 Section 82(2) and the Public Audit Act, 2003 section 5 2 (b) Consequently, it has not been possible to establish the status of arrears of revenue outstanding as at 30 June, 2015 in the Ministry of Land, Housing & Urban Development.

122. Revenue transferred to the Exchequer

The statement of revenue indicates that Kshs.2,076,413,151 50 was transferred to the Exchequer account during the year ended 30 June, 2015 However and as reported in the previous year, records maintained by the Controller of Budget indicates total receipts of only Kshs 1,587,972,620 25 resulting in an unexplained and unreconciled variance of Kshs 488,440,531.25 Consequently, the accuracy of the amount transferred to the exchequer account of Kshs 2,076,413,151 50 could not be confirmed

123. Inventory of Government Buildings & Houses

The statement of revenue indicates that Kshs.1,188,337,962 was received as property income for the year ended 30 June, 2015 out of which 135,212,667 represents rent collected from government buildings However, the Ministry had not provided an updated inventory of all government buildings and houses as at 30 June, 2015 and the expected rental income from each house/building. Consequently, it has not been possible to establish whether all rental income due from Government buildings and houses was received and accounted for

124. Missing Receipt Vouchers

Receipt vouchers with a value of Kshs 813,305 were not availed for audit verification Actual revenue collected in these vouchers could, therefore, not be confirmed

125. Under Banking of Revenue Collections

A review of revenue collections and banking revealed that there was under banking of revenue amounting to Kshs 5,024,942 The Ministry has not explained the reason for the under banking and the action it is taking to recover the same Consequently, it has not been possible to confirm that revenue collected was banked intact as required by Government Financial Regulations and Procedures

126. Un-reconciled Difference Between the Cash Book and the Revenue Statement

The revenue statement reflects total revenue of Kshs 3,030,107,511 as at 30 June, 2015 However, the cash book indicates total revenue of Kshs 516,596,754 as at the same date. The resultant difference of Kshs.2,513,510,757 between the two sets of records has not been explained or reconciled In the circumstances,

the accuracy of the revenue amount of Kshs 3,030,107,511 could not be confirmed.

AGRICULTURAL SETTLEMENT FUND TRUSTEES

Basis for Disclaimer of Opinion

127. Financial Performance

During the year under review, the Fund realized a deficit of Kshs.122,938,690 compared to a deficit of Kshs 2,269,565,715 in the previous year resulting in an accumulated deficit of Kshs 2,161,047,247 (2013/14 Deficit Kshs 2,038,108,557) If strategies are not put in place to reverse the trend, the Fund will experience financial challenges in fulfilling its mandate.

128. Non-Current Assets

The Fund's statement of financial position as at 30 June 2015 reflects a balance of Kshs 6,695,429,709 for Non-current Assets Included in the figure is land and buildings, and fixed and movable assets with a value of Kshs 6,484,249,278 and Kshs 38,680,430 respectively whose support schedules were not availed for audit review Further, no fixed assets register was maintained for these assets during the year Failure to provide information showing details on land acreage, location and valuation makes it impossible to confirm ownership, existence and value of land and other assets. Consequently, it was not possible to confirm ownership, existence, and value of land, and fixed and movable assets shown in the statement of financial position

129. Loans

As reported in the previous year, the statement of financial position under Note 10 reflects under current assets (receivables from non-exchange transactions) and non-current liabilities the following loan balances for which loan registers and other related records were not availed for audit review

Loan

	Amount (Kshs.)
(Current Assets)	
Land Loans Issued	280,142,464
Development Loan Issued	231,832,877
Rescue Loan Issued	550,019
Land Loans Principal Billed	(556,555,792)
Rescue Loans Principal Billed	(240,198)
Development Loan Principal Billed	(189,040,348)

The existence and accuracy of these balances could not be confirmed due to lack of loan registers and other related records in spite of the balances having been outstanding for more than two years.

130. Unanalysed Balances

The statement of financial position reflects various balances under current assets, current liabilities and changes in net assets which were not availed for audit review:

Current Assets (Receivables from no-exchange contracts – Note 10)

	Amount (Kshs)
Cane Development Costs Suspense	(5,139,967)
Other Recoverable Expenses	9,820,460
Other Debtors – Debtors General	32,349,238
Trade Investment	59,263,387
Advances	10,563,918
Suspense (Debits)	64,507,005
Agency Accounts (Debits)	257,000
Billed Amounts – Settlers	1,954,649,124
Loan Repayment – Collection	(1,984,667,787)

Current Liabilities

(Trade & other payables from exchange transactions - Note 12)

Suspense – Credit Items	(122,968,081)
Reserve for Bad Debts	6,602,797
Provisions	11,676
Refundable Deposits from Customers	88,917,265
Other Creditors	3,150,139
Accrued Interest on Loans	10,400
Funds drawn from Treasury/Deferred Income	5,153,814
Agency Accounts (Credit)	(41,850)

Long-Term Liabilities (Borrowing - Note 13)

Loans Received	362,251,618
Loan Repayments	(347,986,482)

In the absence of supporting details, it was not possible to ascertain the existence, accuracy and validity of these balances.

CIVIL SERVANTS' HOUSING SCHEME FUND

Basis for qualified opinion

131. Cash and cash equivalents

The statement of financial position reflects cash and cash equivalents of Kshs 1,785,355,732.75 as at 30 June 2015. Included in the figure is Kshs 949,247 relating to receipts from individuals which were recorded in the cashbook but not credited in the bank statement. Although the receipts are over six months old, they still appear as reconciling items in the bank reconciliation statement. In the circumstances, it was not possible to confirm the accuracy and the validity of cash and cash equivalents balance.

KENYA SLUM UPGRADING, LOW COST HOUSING AND INFRASTRUCTURE TRUST FUND

Basis for qualified opinion

132. Property, Plant and Equipment

Included in the statement of financial position is property, plant and equipment balance of Kshs.1,669,480,823. This item includes undisclosed amount of other properties amounting to Kshs 33,433,455.85 held at county level and which do not belong to the Fund. Although the Fund has used funds to upgrade these properties, the ownership remains with the county governments. It is, therefore, not possible to confirm the ownership status of property, plant and equipment of Kshs 1,669,480,823.

133. Interest income

Included in the statement of financial performance is interest income amounting to Kshs.7,234,614.65 whose supporting schedules and analysis were not availed for audit verification. In the absence of the supporting schedules and analysis, it has not been possible to confirm the accuracy of the interest income of Kshs 7,234,614.65 shown in the statement of financial performance.

STORES AND SERVICES FUND

Basis for Disclaimer of Opinion

134. Presentation of the Financial Statements

The Stores and Services Fund's financial statements for the year ended 30 June, 2015 have not been properly prepared in accordance with the International Public Sector Accounting Standards (Cash Basis), which is prescribed by the

Public Sector Accounting Standards Board as the accounting framework to be used by public sector entities in the preparation of their annual financial statements

The financial statements have, instead, omitted the preparation and presentation of the statement of financial performance, statement of financial position with explanatory notes, and the significant accounting policies used.

135. Un-settled Losses

The statement of assets and liabilities reflects un-settled losses of Kshs 219,901,247 28 as at 30 June 2015. There was, however, no breakdown or even an explanation of how the figure was arrived at. Although there is a note explaining that the losses are as a result of public auction of absolute stores, no records have been availed to that effect. Consequently, the accuracy and validity of the amount reflected in the statement could not be ascertained.

136. Debtors' Balance

As similarly reported in 2013/2014, the statement of assets and liabilities reflects debtors account debit balance of Kshs 64,738,834 29, out of which an amount of Kshs 64,069,466 44 relates to 2012/2013 and earlier years. It has not been possible to confirm whether or when the Fund will recover these debts. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements. As a result, the valuation, accuracy and collectability of the debtors' balance of Kshs.64,738,834 29 could not be ascertained.

137. Unsupported Balances

The statement of assets and liabilities reflects supplies branch suspense and PMG accounts debit and credit balances of Kshs 482,983,865 58 and 844,003,800.33 respectively for which, as in previous years, supporting schedules were not availed for audit review. Consequently, it has not been possible to ascertain the validity, accuracy and completeness of these balances as reflected in the financial statements.

138. Mark-up Suspense

The statement also reflects a Mark – up Suspense credit balance of Kshs 46,574,470.89 which has had no movement for five years, and whose supporting analysis has not been availed for audit review.

139. Un-explained Difference

The financial statements also reflect stores deficiency of Kshs 130,302,958 04 while the trial balance reflects a balance of Kshs 128,825,953, resulting in an un-reconciled difference of Kshs 1,477,005 04.

140. Inter-Stores Closing Stock

The statement of assets and liabilities had a balance of Kshs 2,593,074 50 being the value of inter-stores closing Stock while the trial balance had a nil balance. Consequently, it was not possible to ascertain the accuracy of the reported balance of Kshs 2,593,074 50 of inter-stores closing stock.

141. Creditors' Balance

The statement of assets and liabilities also reflects creditors' balance of Kshs 9,163,400. However, the accompanying invoices relating to the respective purchases have not been availed for audit review. Consequently, it has not been possible to confirm the validity and accuracy of Kshs 9,163,400 shown in the financial statements.

142. Cash at Bank

Included in the statement of assets and liabilities is a cash at bank balance of Kshs 224,741,758 which was the balance as per bank statement as at 30 June, 2015. However, the balance of Kshs 224,741,758 has not taken into account unpresented cheques and uncredited cheques/bankings amounting to Kshs 8,223,681 10 and Kshs 442,042 respectively. Further, the cash at bank balance has not taken into account the effects of RD cheques totalling Kshs 581,361 40. Consequently, it has not been possible to establish the accuracy of the cash at bank balance of Kshs 224,741,758.

143. Closing Stock

The statement of assets and liabilities has a balance of Kshs 128,342,508 being the value of the main store's closing stock. However, neither stock sheets and stores ledger were not provided for audit review. Consequently, it was not possible to ascertain the completeness, validity and accuracy of the closing stock balance of Kshs 128,342,508.

DONOR FUNDED PROJECTS

KENYA INFORMAL SETTLEMENTS IMPROVEMENT PROJECT (IDA CREDIT NO. 4873-KE)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

KENYA MUNICIPAL PROGRAMME (IDA CREDIT NO. 4714-KE)

144. Outstanding Imprests

Included in outstanding imprests and advances figure of Kshs.304,054,862 under Note 8 8c to the financial statement is outstanding imprests of Kshs 8,495,542 due from various staff and other public officers as at 30 June 2015. Further, imprests totalling to Kshs 1,136,875 were over due from senior state officers and public servants among other staff who are not employees of the programme implementer and date back to 2012/2013 financial year. No satisfactory explanations were provided as to why the over due outstanding imprests totalling Kshs 1,136,875 were not recovered from the state officers. Failure to surrender imprest is contrary to the National Treasury circular No. 14/2013 dated 19 November 2013 which requires imprest to be surrendered or accounted for within 48 hours following return from official journey and Section 71(2) of Public Financial Management Act, 2012. The management was therefore in breach of the law.

KOROGOCHO SLUM UPGRADING PROJECT-KENYA/ITALY DEBT FOR DEVELOPMENT SWAP PROGRAMME (CREDIT NO. CN/1246)

Basis for Qualified Opinion

145. Acquisition of Non-Financial Assets

As indicated in the previous year the Project Management awarded a contract for rehabilitation of access roads in Korogocho Slums Nairobi to a contractor at a contract sum of Kshs 183,636,646 on 4 December 2012. The commencement date of the contract is indicated as December 2012 with a completion date shown as 30 June 2014 which was later extended to 18 August 2015. During the year under review, a total of Kshs 57,950,318.50 was incurred on the project resulting to total payments of Kshs 169,923,703.25 as at 30 June, 2015. However, physical inspection of the project in the month of August 2015 revealed that the work was incomplete and some parts had stalled due to encroachment and buildings standing on road reserves. It was further noted that some tenants had filed a case in court against demolition of the buildings.

In the circumstances, it has not been possible to confirm if and when the project will be completed.

NAIROBI METROPOLITAN SERVICES IMPROVEMENT PROJECT (NAMSIP) - (CREDIT NO.5102-KE)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

**MINISTRY ON INFORMATION, COMMUNICATION AND
TECHNOLOGY
FINANCIAL STATEMENTS FOR VOTE 112**

Basis for Qualified Opinion

146. Legal Fees

Information available at the Ministry indicates that on 18 September 2006 the Government of Kenya was sued in the High Court of Justice (Queens Bench Division) England on Anglo Leasing related contracts. The Ministry of Information, Communication and Technology with the authority of the Attorney General single sourced and appointed a law firm to represent the Ministry in the High Court of Justice (Queens Bench Division London). The appointment of the Law firm was done on the understanding that the Ministry would be responsible for ensuring that reasonable professional fees were agreed upon, taxed and paid. The Ministry deposited Kshs.4,000,000 in the Advocates account in respect of legal fees. Thereafter the Legal firm with the authority of the Ministry engaged the services of another Law firm in England for the purpose of defending the Government of Kenya. Documents available indicate that the Kenyan Law firm filed a bill of costs before the Commercial Court at Mililani on 22 December 2009 against the Attorney General on behalf of the Ministry of Information, Communication and Technology. The Ministry filed its submission on 14 November 2011 opposing the said bill of costs. The matter was heard and a ruling delivered on 13 February 2013 dismissing the bill of costs and awarded the applicant the Kenyan Law firm Kshs.4,000,000 that was earlier deposited in their account as sufficient for the advisory work done for the Ministry on Anglo Leasing related contracts.

The law firm which was aggrieved by the Commercial Court's decision, filed an appeal in the High Court on 7 March 2013 and judgement was made on 31 October 2013 stating that the award of the Commercial Court of Kshs 4,000,000 was inordinately low and subsequently awarded the law firm Kshs.25,000,000 as reasonable instructions fee for the legal services rendered by the Kenyan Law Firm. Although the Ministry paid Kshs 25,000,000 to the Attorney General for onward transmission to the Law firm, no evidence of any contractual agreement between the Ministry and the law firm was availed for audit review. In the absence of the contractual agreement, it has not been possible to establish how the fee of Kshs.25,000,000 was arrived at. In the circumstance, the propriety of expenditure of Kshs 25,000,000 paid to the law firm could not be ascertained.

147. Transfers to Other Government Units

147.1 Transfer of Grants to Kenya Yearbook Editorial Board

Examination of available records in the Ministry indicates that a total of Kshs 83,198,400 was paid to Kenya Yearbook Editorial Board as grants for the financial year ended 30 June 2015. However examination of payment vouchers

indicates that an additional amount of Kshs.34,800,000 was paid as assistance to undertake various activities by the Kenya Yearbook Editorial Board vide payment vouchers No 419 and 501 for Kshs.27,000,000 and Kshs.7,800,000 respectively. The payments were done contrary to the Public Finance Management Regulations 2015 Section 71 (5) which provides that a National government entity is not allowed to give another National government entity cash donations to augment the budgetary resources of a designated department.

In addition, funds appropriated and approved for specific programs by the Ministry of Information, Communication and Technology were paid to Kenya Yearbook Editorial Board contrary to Section 54 of the Public Finance Management Regulation 2015 which states that except as provided for in the Act and these Regulations, an accounting officer of an entity may not authorize payment to be made out of funds earmarked for specific activities for the purpose other than those activities. Further, review of records at the Kenya Year Book Editorial Board indicates that the funds were not in the approved budget for the financial year ended 30 June, 2015 and the procurement plan for the year did not include the goods and services procured. The Ministry was therefore in breach of the Law and no satisfactory explanation has been provided on how the amount of Kshs.34,800,000 was utilized.

147.2 Connected East Africa Summit

Available records indicate that the Ministry pledged Kshs.10,000,000 towards funding of Connected East Africa Summit to Information Communication Technology Authority (ICTA). However scrutiny of payment vouchers indicates that the Ministry instead paid a total of Kshs.20,000,000 to the Authority vide payment vouchers No.443 and 562 dated 19 May 2015 and 23 June 2015 for Kshs.10,000,000 each respectively in respect of Connection East Africa Summit resulting into an over payment of Kshs.10,000,000.

Records held at the ICTA indicate that although the Authority had budgeted for Kshs.10,000,000 in respect of Connected East Africa Summit, it received Kshs.20,000,000 and only Kshs.10,000,000 was paid in respect of the Summit. The balance of Kshs.10,000,000 was still being held in the Authority's books of account as at 30 December 2015.

Although the Ministry was fully aware of the above anomaly, no evidence of any efforts being made to recover the excess amount of Kshs.10,000,000 from the Authority was availed for audit review.

147.3 Unclear Transfer of Grants to Ministry Departments

The statement of receipts and payments for the year ended 30 June 2015 reflects Kshs.2,435,625,509 under grants and transfers to other Government Units. Included in the figure of Kshs.2,435,625,509 are grants totalling Kshs.110,000,000 transferred to two (2) Ministry Departments - Government Advertising Agency (GAA) Kshs.83,000,000 and Kenya Institute of Mass Communication (KIMC) Kshs.27,000,000 without budgetary provisions and approval, contrary to Section 31 (1) of Public Finance Management Regulations

2015 which state that the accounting officer shall ensure that the draft estimates relating to her/his department are prepared in conformity with the Constitution and the Public Finance Management Act, 2012 and its Regulations. It was however observed that the two (2) Departments, Government Advertising Agency and Kenya Institute of Mass Communication are still Departments operating under the Ministry of Information, Communication and Technology and therefore do not qualify for grants. It is not clear and the Ministry has not explained the circumstances under which Kshs.110,000,000 was transferred to its two (2) internal departments and how the monies were utilized. In the circumstances, it has not been possible to confirm the propriety and regularity of Kshs 110,000,000 transferred to the two (2) Ministry's internal departments.

148. Acquisition of Assets

148.1 Un-authorized Expenditure on Purchase of Motor Vehicles

Records available at the Ministry indicate that a total of Kshs 104,335,548 was spent on Purchase of Motor vehicles during the year under review against a budgetary provision of Kshs 91,200,000 resulting in an unauthorized over expenditure of Kshs 13,135,548. The Ministry, through letter ref No RES112/14/01/28 dated 23 January 2015 obtained authority from the Principal Secretary, National Treasury for purchase of 12 four wheel vehicles at a total cost of Kshs 70,695,190 to be distributed as follows -4 vehicles to National Optic Fiber backbone Infrastructure (NOFBI), 4 for county connectivity project and 4 for Kenya Transparency Communication Infrastructure Project (KTCIP). However the Ministry disregarded the National Treasury's authority to purchase twelve (12) vehicles and instead without authority, went ahead to procure twenty three (23) vehicles at a total cost of Kshs.104,335,548 resulting in an additional and unapproved expenditure of Kshs 13,135,548.

In the circumstances, the propriety of over expenditure totalling Kshs 13,135,548 on motor vehicles could not be ascertained.

148.2 Agency and Disbursement Fees to Huawei Technologies Ltd

Examination of payment vouchers revealed that the Ministry paid Kshs 28,218,313 to Huawei Technologies Ltd during the year under review in respect of agency fees of Kshs.2,275,826 and disbursement/reimbursement fees Kshs 25,942,487 all totaling Kshs 28,218,313. Huawei Technologies Ltd were contracted to provide Project Management services on behalf of the Government of Kenya through the Ministry Contract No 00Y4041009240A of 7 July 2010. However, no documentary evidence was available to show how the firm was identified and awarded the contract and how the contract price was arrived at. Scrutiny of Ministry records also indicates that the goods were cleared on 28 December 2013, while reimbursement and claim documents were presented in March 2015. No explanation has been provided as to why the documents took over a year before the same were lodged with the Ministry for payment. Further, no documentary evidence indicating that the goods and services were verified and inspected by an independent inspection team was available for audit review. In

the circumstances, it has not been possible to confirm the propriety of expenditure totalling Kshs.28,218,313.

149. Accounts Receivables - Unaccounted for Imprest

The statement of Assets as at 30 June 2015 reflects under accounts receivable outstanding temporary Imprest and advances of Kshs.1,312,661 which includes an unexplained variance of Kshs.208,250 as reported in the year 2013/2014. This variance has not been accounted for. In the circumstances, it has not been possible to confirm the accuracy of the accounts receivables balance of Kshs.1,312,661.

150. Kenya Institute of Mass Communication (KIMC)

150.1 Construction of Men's Hostel at KIMC

Examination of the Ministry records indicates that a Contract No. D32/01/2012-2013 for the proposed erection and completion of Men's hostels at the Kenya Institute of Mass Communication was awarded to a construction company at a contract sum of Kshs.188,858,602. However scrutiny of the contract documents revealed that the contractor did not provide the following goods and services which were included in the bill of quantities:-

1. 2 No. Laptop Computers-Toshiba or other -equal and approved	Kshs.250,000
2. Project Management expenses:	
-Technical training of the MoPW	Kshs.206,000
-Project management expenses	Kshs.1,030,000
-Clerk of works allowances	Kshs.154,500
-Airtime kshs.5000×1person×6×12months	Kshs.370,800
3. Performance bond	Kshs.1,000,000
4. Provision of site office for project manager	<u>Kshs.500,000</u>
TOTAL	<u>Kshs.3,511,300</u>

Further, it was noted that although the contractor was required to provide a performance bond of 5% of the contract sum or Kshs.1,000,000, the amount was irregularly provided for in the Bill of Quantities and charged to the Ministry contrary to the contract agreement. No satisfactory explanation has been provided as to why the contractor failed to provide for the performance bond as required.

150.2 Failure to Deduct Withholding Tax on Payments to the Contractor

Examination of records revealed that the Ministry failed to deduct and remit to Kenya Revenue Authority withholding tax totalling Kshs.5,665,758 upon payment to the contractor contrary to the Income Tax Act CAP 470 Section 35 (3) (f) which provides for deduction of withholding tax from resident Companies at the rate of

3% of the contract fees The Ministry was therefore in breach of Income Tax Laws

150.3 Unauthorized Extension of the Project Completion Date

Further, available records at the Ministry revealed that the Project Manager for the construction of the Boys Hostels at the Kenya Institute of Mass Communication extended the project completion period by 16 weeks from 1 February 2014 to 31 May 2014 without the approval of the Ministry Tender Committee The extension is therefore contrary to the Public Procurement and Disposal Regulation 2006, Section 102 (m) which provides that the functions of the tender committee shall be to approve the amendment of the contracts previously awarded by the tender committee, in accordance with the Public Procurement and Disposal Act, 2005 and its regulations of 2006 The management therefore contravened procurement laws

Other Matter

151. Budgetary Controls and Performance

The Ministry of Information, Communication and Technology had a total budget of Kshs 10,297,881,920 voted for the financial year 2014/2015 comprising of Kshs.2,609,948,127 for Recurrent Vote and Kshs.7,687,933,793 for Development Vote The budget absorption in the Ministry was as follows:-

Item	Budgeted Allocation 2014/2015	Actual Expenditure 2014/2015	Absorption	Absorption as a %
Recurrent Vote	2,609,948,127	2,309,866,242	300,081,885	88
Development Vote	<u>7,687,933,793</u>	<u>5,316,663,602</u>	<u>2,371,270,191</u>	69
TOTAL	<u>10,297,881,920</u>	<u>7,626,529,844</u>	<u>2,671,352,076</u>	

Records availed for audit review indicate that Kshs.928,108,060 under Recurrent Vote was for use of goods and services However as at the end of the financial year 2014/2015 only Kshs.774,725,447 had been spent representing 83.4% absorption It is not clear why the Ministry did not spend Kshs 153,382,613 allocated for goods and services

It was also noted that Kshs 1,750,000 and Kshs.69,990,067 were allocated as other grants and transfers and acquisition of assets respectively As at 30 June 2015, only Kshs 1,049,660 and Kshs 16,047,856 equivalent to 60% and 23% respectively had been spent No explanation has also been provided for the under expenditure totalling Kshs 54,642,551

The Ministry had a budgeted allocation of Kshs.7,687,933,793 under Development Vote for the year 2014/2015 As at the end of the year only Kshs 5,316,663,602 had been spent representing 69% of the budget allocation Records availed for audit review indicated that Kshs 5,247,684,414 had been allocated for acquisition of assets and only Kshs 2,918,349,991 had been spent

representing 57% of the budget allocation. No explanation has been provided for this under expenditure.

My opinion is not qualified in respect to this matter.

REVENUE STATEMENT- MINISTRY OF INFORMATION, COMMUNICATION AND TECHNOLOGY

Basis for Qualified Opinion

152. Under Collection of Revenue

According to the letter of designation as receiver of revenue dated 14 August 2014, the Principal Secretary, was supposed to collect revenue totalling Kshs.22,745,017 during the year under review. However, records available indicates that only Kshs.3,673,366 was collected resulting in under collection of Kshs.19,071,651 as at 30 June 2015. No satisfactory explanation has been provided as to why revenues totalling Kshs.19,071,651 was not collected during the year under review.

DONOR FUNDED PROJECTS

KENYA TRANSPARENCY AND COMMUNICATIONS INFRASTRUCTURE PROJECT (IDA CREDIT NO. 4284-KE, 5092-KE AND 5408KE)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

MINISTRY OF SPORTS, CULTURE AND THE ARTS
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Basis for Qualified Opinion

153. Budget and Budgetary Control

153.1 Revenue

The Ministry had budgeted for revenue of Kshs 4,458,446,638 00 from the following sources:

Revenue head	Budget Kshs.	Actual Kshs.	Excess/(shortfall) Kshs.	Excess/(shortfall) %
Recurrent exchequer issues	2,881,053,968 00	2,608,000,000 00	(273,053,968 00)	(9.5)
Development exchequer issues	1,533,000,000 00	1,282,810,000 00	(250,190,000 00)	(16.3)
Internal revenue	10,400,000 00	13,099,720 00	2,699,720 00	26
Domestic currency & domestic deposits	-	70,880,317 00	70,880,317 00	100
Other sources	33,992,670 00	12,299,847.00	(21,692,823 00)	(63.8)
TOTAL	4,458,446,638.00	3,987,089,884.00	(427,971,108.00)	(9.6)

However, there was a shortfall of Kshs.471,356,754 00 or 10.57%. The shortfall was mainly occasioned by under issue of exchequer receipts where the Ministry had budgeted for Kshs 4,414,053,968 00 but actual receipts were Kshs 3,890,810,000.00 resulting in a shortfall of Kshs 523,243,968 00 or 11.9%. The Ministry had also budgeted to collect Kshs 33,992,670 00 from other sources, but realized Kshs 12,299,847 00 from bilateral donors.

The revenue shortfall may negatively impact on the Ministry's capacity to deliver on its planned and budgeted services

153.2 Expenditure

A comparison between the approved budget and the actual expenditure revealed that the Ministry under spent by Kshs 380,640,409 00 on six (6) expenditure heads.

Expenditure head	Budget Kshs.	Actual Kshs.	(Over)/under Kshs.	(Over)/under %
Compensation of employees	403,000,000.00	401,970,688 00	1,029,312 00	0.26
Use of goods and services	891,986,368 00	824,039,626 00	67,946,742 00	9

Transfers to other Government units	2,084,300,000.00	1,828,427,199.00	255,872,801.00	32
Other grants and transfers	11,000,000.00	10,638,221.00	361,779.00	3.3
Social security benefits	4,000,000.00	3,312,420.00	687,580.00	17.2
Acquisition of assets	1,064,160,270.00	1,009,418,075.00	54,742,195.00	5.1
Domestic currency & Payments	-	83,178,523.00	(83,178,523.00)	(100)
Total	4,458,446,638.00	4,160,984,752.00	380,640,409.00	24.6

Further, the Ministry's statement of receipts and payments reflects Kshs.1,828,427,199.00 in respect to transfers to other Government units. However, the audited financial statements of the respective government units disclosed total actual receipts of Kshs.2,605,359,164.00. The resultant difference of Kshs.776,931,965.00 has not been reconciled.

In addition, the Ministry paid Kshs.83,178,523.00 for domestic currency and payments which had not been budgeted.

154. Unsupported Transfer to Ministry Headquarters

The statement of receipts and payments reflects Kshs.1,828,427,199.00 as transfers to other government units. As disclosed under Note 10 to the financial statements, the figure of Kshs.1,828,427,199.00 includes an amount of Kshs.83,844,527.00 indicated as transfers to the Ministry Headquarters. Although management has explained it was a recurrent expenditure, no documentary evidence was provided to support the transfer and account for the utilization of the funds.

In the circumstances, the propriety of the transaction could not be confirmed.

155. Other Grants and Other Payments

Note 11 to the financial statements indicates that an amount of Kshs.10,638,221.00 as, 'other current transfers, grants'. Although management has indicated that the transfers were in respect of subscriptions to international organizations the Ministry collaborates with, the list of these organizations together with confirmation receipts have not been provided for audit verification. In the circumstances, it has not been possible to confirm that Kshs.10,638,221.00 was received by the respective organizations and that it was properly accounted for.

156. Unsupported and Unaccounted for Disbursements to Sports

Section 47 of the Sports Act, 2013 states that a body shall not operate as a sports organization unless it is registered under this Act. Further, under Section 50 of the transitional clauses, sports organizations, which were duly registered under the Societies Act and existing immediately before commencement of this Act shall be required to apply for registration under this Act within one (1) year after the commencement of the Act. In addition, the Act stipulates that an existing sports organization that does not apply for registration within the time prescribed, shall not be recognized as a sports organization for the purposes of this Act. However, the Ministry of Sports, Culture and The Arts, disbursed funds totalling Kshs.42,979,650 00 on patriotic basis to some organizations which had not complied with the Sports Act, 2013 as indicated

Payee	Date	P.V. No.	Amount Kshs.	-
Kenya National Sports Council	10/11/2014	978	360,900	
"	25/2/2015	2763	556,000	
"	27/3/2015	2788	2,000,000	
"	27/5/2015	3393	3,030,000	
"	21/5/2015	3317	8,000,000	
Sofapaka	26/2/2015	2350	500,000	
Football Kenya Federation	31/7/2014		17,439,000	
"	12/8/2014	126	88,000	
"	3/9/2014	290	5,000,000	
"	11/5/2015	3168	4,005,750	
"	3/11/2014	934	2,000,000	
TOTAL			42,979,650	

Further, disbursements to Kenya National Sports Council totalling Kshs.13,946,900 00 were not supported by payment vouchers

In the circumstances, the propriety of the expenditure of Kshs 42,979,650 00 could not be confirmed

157. Irregular Expenditure on 20th Commonwealth Games

The statement of receipts and payments reflects a figure of Kshs 173,894,869 00 in respect of 20th Commonwealth Games' expenditure stated as pending bills incurred in 2013/2014 but accounted for in 2014/2015. However, the total pending

bills reported for the year ended 2013/2014 were only Kshs 143,967,837.00 The resultant difference of Kshs 29,927,031 70 has not been reconciled

As a result, the accuracy and propriety of the expenditure of Kshs.173,894,869 00 could not be ascertained.

158. Outstanding Advances

Included in the outstanding advances' balance of Kshs 885,721.00 are salary advances of Kshs 537,016.00 However, records examined showed that some balances have been long outstanding and mostly relate to former employees of the Ministry and their recoverability is doubtful.

159. Outstanding Imprests

Note 21 to the financial statements shows balances brought forward which include Kshs.135,310,107 00 described as imprests However, the 2013/2014 financial statements reflected a balance of Kshs 290,010 00 while under Note 17 the outstanding imprest is shown as Kshs 1,327,676.00 The management's explanation that the balances in Notes 21 are for disclosure purposes only and that they do not affect the financial statements' figures, is erroneous.

Further, included in the list of outstanding imprests' balance of Kshs 1,327,676 00 were names of two members of parliament with balances totalling Kshs 586,080.00. Management has not explained the circumstances under which the imprests were advanced to the two members of parliament.

In the circumstances, the accuracy and recoverability of the outstanding imprest is doubtful

160. Unsupported Balances

160.1 Clearance Accounts

The statement of assets as at 30 June 2015 reflects a clearance account balance of Kshs 14,559,609 00 in (2014: Kshs 65,097,468 00) Note 19 to the financial statements indicates that the clearance accounts were in respect of outstanding clearance accounts/District Suspense balances carried forward However, no analysis was provided showing the movement or what the clearance accounts represent.

160.2 Suspense Account

The statement of assets as at 30 June 2015 further reflects a suspense account balance of Kshs 6,303,342 00 or 100% increase from a nil balance as at 30 June 2014 with no analysis or indication of what it represents

As a result, the accuracy and validity of the clearance and suspense accounts balance of Kshs 20,862,951.00 could not be ascertained

161. Pending Bills

The Ministry's records indicate that bills totalling Kshs.632,045,720.00 relating to financial year 2014/2015 and chargeable to Vote 1131 for both recurrent and development accounts were not settled during the year but were instead carried forward to financial year 2015/2016. Had the bills been paid and the expenditure charged to the accounts for financial year 2014/2015, the statement of receipts and payments for the year would have reflected a deficit of Kshs.805,940,589 00 instead of deficit of Kshs 173,894,869 00 now shown, aside from distorting the budget allocation for financial year 2015/2016

Further, Annex 2 shows other pending payables of Kshs.45,555,690.00 outstanding since 2012/2013. It is not clear why grants remain outstanding since 2012/2013.

162. Unreconciled Rent Payments

Records maintained by the Ministry indicate an amount of Kshs 1,893,079 19 as outstanding rent payable to Industrial and Commercial Development Corporation (ICDC) - Uchumi House. However, the statement of account from ICDC as at 30 June 2015 and other correspondences between the Ministry and ICDC revealed outstanding rent arrears of Kshs 38,347,952.61 resulting in an unreconciled difference of Kshs 36,454,873.42.

Consequently, the accuracy and validity of the rent arrears of Kshs.38,347,952 61 could not be ascertained

163. Disbursements to Pan African Federation of Film Makers

The Government, on 23 December 2013, through the Ministry of Foreign Affairs and International Trade and Ministry of Sports, Culture and The Arts, entered into a Memorandum of Understanding (MOU) with Pan-African Federation of Film Makers (FEPACI) on the establishment of FEPACI Secretariat in Kenya for four (4) years, at a cost of Kshs 84,000,000 00 per year. The main objective of the financing agreement was to represent the interests of African film makers in key forums such as African Union, African Governments, NEPAD and public broadcasting organizations. However, the Ministry disbursed Kshs 83,485,637 00 to FEPACI instead of the agreed Kshs 84,000,000.00

Although the amount disbursed has been reflected in the privately audited financial statements of FEPACI as at 30 June 2015, in the absence of itemized budget and expenditure returns to the Ministry, utilization and accountability of the funds could not be confirmed

Other Matter

164. Grounded Motor Vehicles

Although Section 129 of the Public Procurement and Disposal Act, 2005 provides guidelines and procedures for disposal of unserviceable and obsolete stores and

equipment, a physical audit inspection exercise carried out at the Permanent Presidential Music Commission (PPMC) compound revealed that four (4) Motor vehicles GK A756M, GK A905P and GK A717G with undetermined values were lying at their yard with no indication of whether those vehicles would be repaired or disposed-off as provided for in the Act. Further, GK A756M has been lying at the yard for over three (3) years.

The vehicles' details are as follows

Registration No.	Make	Department	Period
GK A717G	Peugeot	Department of Culture	2 months
GK A372P	Mitsubishi	National Archives	3 months
GK A905P	Nissan Ex-Trail	Permanent Presidential Music Commission	3 months
GK A756M	Blue bird	Headquarters	Over 3 years

Besides the clear depreciation in value, such vehicles are also not contributing towards the achievement of the Ministry's annual objectives

165. Internal Control Weaknesses

The Ministry does not have proper systems and structures necessary for running the Ministry, including an Audit Committee, Information Technology (IT) Policy for management and control of IT functions to assure data integrity.

My opinion is not qualified in respect of these matters.

MINISTRY OF LABOUR, SOCIAL SECURITY AND SERVICES

FINANCIAL STATEMENTS FOR VOTE 114

166. Differences Between the Amounts Transferred to Other Government Units

The statement of receipts and payments reflects a figure of Kshs 13,726,714,725 00 as transfers to other Government units. This amount differs with the trial balance figure of Kshs 13,342,765,032 00 by an unexplained difference of Kshs 338,949,693 00. Further, analysis of the amounts transferred to other Government units indicated a figure of Kshs 13,726,714,725 00 while the audited financial statements for the respective entities reflect total receipts of Kshs 13,577,618,556 00 resulting in differences of Kshs 570,849,425 00 (over) and Kshs.432,367,834 00 (under) as follows

Transfers to other Government units

Entity	Ministry F/S Kshs.	Entity F/S Kshs.	Over Kshs.	Under Kshs.
OVC-CT	6,037,521,647	5,466,672,222	570,849,425	-
Older Persons-OP-CT	5,217,830,000	5,637,990,334	-	420,160,334
NCPWD	1,223,400,000	1,223,400,000	-	-
NCCS	56,200,000	57,792,500	-	12,207,500
NITA	425,500,578	425,500,579	-	-
CWSK	761,250,000	761,250,000	-	-
DOSH FUND	5,012,500	5,012,500	-	-
TOTAL	13,726,714,725	13,577,618,556	570,849,425	432,367,834

The material differences between the Ministry records and the other units have not been reconciled. As a result, the accuracy, propriety and accountability of the transfers to other Government Units could not be confirmed.

167. Pending Bills

The pending bills amounted to Kshs 362,447,830.10 for both the Recurrent and Development Vote 1141 which were carried forward to 2015/2016 financial year. Had the bills been settled and expenditure charged to the account for FY 2014/15, the statement of receipts and payments would have reflected a reduced surplus of Kshs 451,738,514.90 instead of Kshs 814,186,345.00 now shown. Further the schedule of pending bills did not indicate contract numbers or even invoices to support them.

Further during the year 2014/2015, the Ministry paid debts totalling Kshs.5,291,190.00 comprising of Kshs.2,424,690.00 for advertising and Kshs.2,866,500 for flowers relating to the period between 2011-2013. It was observed that these debts had never been declared as pending bills in the previous financial years.

Consequently, the validity and propriety of the pending bills of Kshs.362,447,830.10 and the debts paid of Kshs.5,291,190.00 could not be confirmed.

168. Irregular Lease Payments

During the year under review, the Ministry paid Kshs.68,046,579.00 for the rented office spaces at Social Security House. However, a review of the lease agreements for the respective floors rented revealed that the actual payments totaled Kshs.27,750,737.40 while the total amount according to the lease agreements should have been Kshs.26,070,781.92. The resultant overpayment of Kshs.1,679,955.48 ought to be recovered.

Further, payments totalling Kshs.12,171,508.80 were below the amounts in the respective lease agreement total of Kshs.16,639,968.00 by Kshs.4,468,459.20. In addition, two lease agreements were not availed for audit review for payments totalling Kshs.22,983,886.20.

In the circumstances, the accuracy, validity and propriety of the lease payments could not be ascertained.

169. Irregular and Inconsistent Basic Salaries

169.1 Analysis of the payroll data provided revealed that one hundred and ninety nine (199) officers were earning a higher basic salary than what was stipulated in the salary scale structure for their job groups which as at 30 June 2015 totalled Kshs.8,959,195.15.

169.2 Comparison of IPPD Payroll Records with the Trial Balance

Further, the IPPD payroll records reflected total employee compensation of Kshs.1,517,668,269.00 while the trial balance reflected Kshs.1,464,174,175.00 resulting in a difference of Kshs.53,494,095.00. No reconciliation has been done for the two sets of records.

In the circumstance, the accuracy and propriety of the employee compensation could not be confirmed.

170. Outstanding Imprests

The statement of financial assets for the year ended 30 June 2015 reflects a balance of Kshs.12,089,334.25 relating to outstanding imprests while imprests records reviewed indicated a balance of Kshs.7,689,711.60. The resultant difference of Kshs.4,399,622.65 has not been reconciled or explained. Further, imprests totalling Kshs.714,749.90 have been outstanding since financial year

2013/2014. In addition, imprests amounting to Kshs 1,574,988 00 were issued to officers before surrender of previous ones

No reasons have been provided for failure to adhere to the financial regulations governing the issuance of imprests

171. Accuracy and Completeness of the Financial Statements

171.1 Unconfirmed Cash Balances

The statement of assets reflect a cash balance of Kshs.300,766 00 (Note 22B) However, the Ministry did not provide corresponding IFMIS records of the cashbook balance as at 30 June 2015. In the absence of the IFMIS cashbook balance, the accuracy of the cash balance of Kshs 300,766 00 shown in the statement of assets could not be ascertained.

Further, the trial balance reflects under cash and bank account balances of Kshs.7,849,689,410 55, Kshs 22,441,960,679 80 and Kshs 32,200,285 00 for recurrent, development and cash in hand respectively which have been omitted in the financial statements.

171.2 District Suspense Balances

The statement of assets reflects a district suspense account balance of Kshs 2,606 855,375 00 which differed with the trial balance figure of Kshs 1,696,801,417 65 by Kshs 910,053,957 00 Further, the analyses provided in support of the district suspense balance indicates a figure of Kshs.1,099,103,652.20 resulting in a difference of Kshs.1,507,751,722.80 The differences have not been reconciled

In view of the foregoing, the accuracy and completeness of the financial statements could not be ascertained

172. National Council for Children Services

The National Council for Children Services is a department under the Ministry of Labour, Social Security and Services.

172.1 Unsupported Disbursements to various Adoption Societies and Children Charitable Institutions

During the year 2014/2015, grants totalling Kshs 8,200,000 00 were disbursed to various Adoption Societies and Children Charitable Institutions However, there was no budget/work plan indicating how the grants were to be utilised and in a few expenditure returns seen the funds were used to buy cars, computers, travelling, seminars and workshops Further, the criteria used to identify the beneficiary organizations have not been disclosed In addition, an itemized budget showing how the grants were to be utilized and disclosure of the identification criteria and location of the respective institutions has not been provided for audit review The beneficiary institutions were

Grants to Adoption Societies and Children Charitable Institutions

P.V.NO.	DATE	PAYEE	AMOUNT - KSHS.
2170	28.01 15	Little Angels Network	2,000,000 00
2170	28 01 15	Kenya To Kenya Peace Initiative	2,000,000 00
2170	28 01 15	Kenya Children's Home	2,000,000 00
2170	28 01 15	Buckner Adoption Society	2,000,000 00
5355	29.06 15	Amani Na Wema Children's Home	200,000 00
		Total	8,200,000.00

In the circumstances, it has not been possible to confirm whether grants totalling Kshs 8,200,000 00 went to the rightful beneficiaries and that they were used for the benefit of the adopted children

172.2 Unsupported Expenditure

Audit of records maintained at the Embu West Sub-County Children's Office revealed that the office incurred expenditure totalling Kshs 756,100 00 on travelling expenses, motor vehicle repairs, and on general goods and services of Kshs 299,400 00, Kshs 265,500.00 and Kshs 191,200 00 respectively. However, no documentary evidence was provided to support the expenditure figures

In the absence of supporting documents, the propriety of the Kshs 756,100 00 expenditure could not be confirmed.

172.3 Doubtful Imprests

The imprests register maintained at National Council for Children Services offices revealed that imprests warrants totalling Kshs 4,163,786 00 had not been recorded in the imprests register and therefore not accounted for. Further, imprests totalling Kshs 3,640,301 00 were surrendered without following the required authorization and accounting procedures necessary for the management and control of imprests. The surrenders therefore were not in accordance with the Government regulations governing the issuance of imprests

In the circumstances, the validity and propriety of the expenditure incurred through imprests totalling Kshs 7,804,087 00 could not be authenticated

172.4 Cash Balance

The cashbook of the National Council for Children Services reflects a cash balance of Kshs 9,462,402 80 as at 30 June 2015. However;

- i. Examination of the cashbook revealed that payments totalling Kshs.15,180,870 00 were entered in the cashbook but, no payment vouchers were made available for audit review to support the payments

- ii. Further, payments totalling Kshs 6,216,188 00 for the period 1 July 2014 to 30 June 2015 had not been posted in the cashbook
- iii. Although the cashbook had a closing balance of Kshs 134,767 00 as at 30 June 2014, the opening balance for the year 2014/2015 reflects Kshs 513,650.95 resulting in an unexplained difference of Kshs 378,883.95
- iv. In addition, the cashbook closing balance of Kshs 9,462,402.80 as at 30 June 2015 was not certified by the annual Board of Survey Committee as required and no monthly bank reconciliation statements for the year 2014/2015 were produced for audit review

In view of the foregoing, the accuracy of the National Council for Children Services cash balance of Kshs 9,462,402.80 as at 30 June 2015 could not be confirmed

173. Incomplete Research Institute Office Complex – Occupational Safety and Health Services

The Directorate of Occupational Safety and Health Services (DOSHS) is a department of the Ministry of Labour and East African Affairs that is concerned with factory inspection, workers health and safety at work. In the year 2009/2010, the Directorate made a proposal to the Ministry for construction of a research institute office complex to assist it keep abreast with changing issues in as far as work environment, health and safety of workers is concerned

174. Construction works

The construction of the project commenced on 28 February 2010 at an estimated cost of Kshs 480,000,000 however, the expected completion date was not specified

175. Delay in Completion of Construction Works Due to Implementation of Builders Works in Phases

Although the construction of this project started in the financial year 2009/2010 the project is still not complete seven (7) years later. The builders' works were divided into five (5) phases with the construction being advertised, evaluated and awarded to different contractors per floor as follows

Phase	Firm awarded	Contract period	Start date	Completion date	Contract sum (Kshs)
Phase 1	Lunao Enterprises Basement, Ground and 1 st Floor	15/3/2010 - 15/10/2010	15/3/2010	14/8/2012	71,239,810 00
Phase 2	Makuyu Construction Ltd 2 nd and 3 rd Floor	17/7/2012- 17/7/2013	17/7/2012	30/4/2014	77,931,974 40
Phase 3	Bluestream Enterprises 4 th and Upper Level Floors	15/5/2014 - 15/9/2014	15/5/2014	18/11/2014	34,242,682 17
Phase 4	Bluestream Enterprises Ramp.	3/3/2015 -	3/3/2015	28/12/2015	140,377,360 60

	Fittings, Electrical & Mechanical Installations	22/6/2015			
Phase 5	Finishing Works not awarded				

However, approval by the Ministerial Tender Board Committee and rationale for this mode of construction has not been provided for audit review.

The implementation of the builders' works starting with the basement, ground and first floor being done by a one contractor the second and third floors by another one and fourth and the upper levels by yet another contractor has led to delay, escalation of advertising and tendering costs and contract variations as follows:

176. Contract variations

The original contract sums were varied several times and amounted to Kshs.20,006,737.78 up to phase three (3) as indicated below:

Phase	Contract sum (Kshs)	Variation Order (Kshs)	Total (Kshs)
Phase 1	64,536,284.34	6,703,525.66	71,239,810.00
Phase 2	68,126,344.40	9,805,630.00	77,931,974.40
Phase 3	30,751,100.05	3,497,582.12	34,242,682.17
Phase 4	140,377,360.60	On-going	140,377,360.60
Phase 5	At tendering stage		
Total	303,791,089.40	20,006,737.78	323,791,827.20

177. Poor Workmanship and Record Keeping

An audit inspection undertaken on 10 February, 2016, revealed that the signage listing the contractors had not been erected as required and evidence of poor workmanship was observed especially the construction of basement, ground and the first floor as follows:-

Phase 1

Phase one involved the construction of the basement, ground and the first floor. However, tender documents, site meetings and progress reports were poorly maintained making difficult for the project file to be followed. Phase 1 was supposed to start on 15 March 2010 and end on 15 October 2010, a period of 30 weeks. However, the contract was terminated on 14 August 2012 which was one year and ten months beyond the agreed completion dates. No final account was issued by the project manager indicating the work done as per the BQs and work not done and the handing over minutes were also not seen.

Phase II and III

The same issues were observed in phase II and III where the start and completion dates were exceeded and no final accounts were prepared

discharging the contractors Handing over minutes were also not availed for audit review

The basement floor constructed at a total cost of Kshs 71,239,810 00 was at the time of the audit inspection, full of drainage water due to poor waterproofing, poorly reinforced concrete base which was as at the time of the audit being reconstructed by the contractor for phase four (4) The foundation of the building was therefore not properly done and the stability of the building is questionable thus endangering the safety of workers of which the directorate is mandated to inspect/detect in other work places Available information obtained indicates that a submersible pump has been installed for pumping water from the basement

Bills of Quantities (BQs) for phase 1 were also not availed for audit review while those for the other phases were scanty The total cost of advertising for each phase could not be established owing to the absence of the necessary documentation A site clearance (Element No 1) Bill of Quantities made available in respect of M/s Lunao Enterprises indicated provisional sums totalling Kshs 22,010,000 00 which could not be confirmed as follows

Provisional Sums	Amount (Kshs)
Prime cost sum for both electrical and mechanical works	8,500,000 00
Main contractors profits (3%)	255,000 00
Main contractors attendance	255,000 00
Project management expenses	500,000 00
JBC fluctuations	5,000,000 00
Contingencies	7,500,000 00
Total	22,010,000.00

The project cost is likely to escalate from the estimated cost of Kshs.480,000,000.00 considering that work on phase four (IV) has not been completed and the contractor was not on site and phase five (V) is yet to be awarded after being advertised

In view of the foregoing, the propriety of the contract costs and value for money for the works carried out could not be confirmed

Other matter

Basis for Qualified Opinion

178. Budgetary Control and Performance

178.1.1 Revenue

Item	Budget (Kshs)	Actual (Kshs)	Excess/(Shortfall) (Kshs)	Excess/(Shortfall) %
Exchequer Recurrent	8,688,995,289 00	8,336,300,000 00	(352,695,289 00)	4%

Exchequer Development	11,682,523,636.00	10,678,728,230.00	(1,003,795,406.00)	9%
Proceeds from Domestic Borrowings	Nil	364,264,428.00	364,264,428.00	100%
Proceeds from foreign borrowings	100,000,000	71,614,219.00	(28,385,781.00)	28%
Proceeds from Sale of assets	104,814,480.00	63,143,019.00	(41,671,461.00)	40%
Other Receipts	109,600,000.00	3,459,700.00	(106,140,300.00)	97%
Total	20,685,933,405.00	19,517,509,596.00	1,168,423,809.00	6%

178.1.2 Recurrent and Development Revenue

The Ministry's approved recurrent budget reflected exchequer receipts of Kshs.8,688,995,289.00, however the actual receipts amounted to Kshs.8,336,300,000.00 resulting in a shortfall of Kshs.352,695,289.00 or 4%. The shortfall was largely attributable to failure to receive exchequer issues.

Similarly, the Ministry had budgeted for development revenue of Kshs.11,682,523,636.00 but received Kshs.10,678,728,230.00 resulting in a shortfall of Kshs.1,003,795,406.00 or 9%. The shortfall was attributed to lengthy World Bank procedures which affected receipts for the Children's Department and the Social Protection Secretariat.

178.1.3 Appropriations-in-Aid (AIA)

Further, the Ministry collected Kshs.364,264,428.00 in respect of proceeds from domestic borrowings which had not been budgeted for. In addition, three (3) items with a total budget of Kshs.314,414,480.00 only collected Kshs.138,216,938.00 resulting in a shortfall of Kshs.176,197,542.00 or 56%.

The exchequer underfunding and under collection of AIA impacts negatively on the planned and budgeted services and development projects.

179. Expenditure

Item	Budget (Kshs)	Actual (Kshs)	(Over)/ under (Kshs)	Over/ under %
Compensation of Employees	1,634,737,004.00	1,464,174,175.00	170,562,829.00	10%
Use of goods and Services	3,300,679,827.00	2,383,893,325.00	916,786,502.00	28%
Transfers to Other Govt Units	14,198,172,129.00	13,726,714,725.00	471,457,404.00	3%
Other Grants and Transfers	400,812,933.00	400,257,669.00	555,264.00	0.1%
Acquisition of Assets	1,131,880,500.00	732,217,814.00	399,662,686.00	35%
Total	20,666,282,393.00	18,707,257,708.00	1,959,024,685.00	9%

The Ministry had budgeted to spend Kshs.20,666,282,393 00 but actual expenditure amounted to Kshs.18,707,257,708 00 The under expenditure was attributed to late receipt of exchequer issues leading to pending bills and unimplemented projects and services.

**MINISTRY OF ENERGY AND PETROLEUM
FINANCIAL STATEMENTS FOR VOTE 115**

Basis for Qualified Opinion

180. Tax Revenues

The statement of receipts and payments reflects tax revenues amounting to Kshs.4,720,932,718, as disclosed under note 1 to the financial statements. This differs with the tax revenue amount verified through the Ministry's records on Petroleum Development Levy by Kshs.327,678,754 as itemized:

Item	Balance as per Financial Statements Kshs	Balance as per Supporting Documents Kshs	Variance Kshs
5% Rural Electrification Levy	1,922,000,000	1,922,000,000	-
Petroleum Development Levy	1,131,021,246	1,458,700,000	(327,678,754)
Receipts from Use of Goods	1,000,000,000	1,000,000,000	-
Royalties on Oil Exploration	503,260,733	503,260,733	-
Royalties on Geothermal Development	164,650,739	164,650,739	-
Total	4,720,932,718	5,048,611,472	(327,678,754)

Information available from management indicates that the difference of Kshs.327,678,754 represents tax receipts excluded from the financial statements. This is attributed to an erroneous journal entry effected to adjust development bank opening balance but was instead posted into the petroleum development levy account. This has in effect reported an erroneous deficit of Kshs.137,158,000 instead of a surplus of Kshs.190,521,000 in the statement of receipts and payments. Consequently, it was not possible to confirm the completeness and accuracy of the tax revenue receipts of Kshs.4,720,932,718 as reported in the financial statements.

181. Accumulation of Funds- Ministry Headquarters

Available records and information indicate that the Ministry of Energy and Petroleum headquarters construction fund operated by the National Oil Corporation of Kenya (NOCK) had an uncommitted balance of Kshs.589,821,694 as of 30 June, 2015 analyzed as follows:-

Particulars	Amount (Kshs)
Uncommitted fund balance brought forward from 2013 /2014	612,474,703
Transfers into the fund during the year (2014/2015)	248,719,410
Total funds available for expenditure in 2014/2015	861,194,113
Less commitments during the year (2014/2015)	
Proposed construction of access road (MOEP/ONT/08/2014-2015)	(23,347,119)
Proposed partitioning of MOEP HQs (MOEP/ONT/09/2014-2015)	(248,025,300)
Uncommitted balance as at 30 June 2015	589,821,694

However confirmation receipt from NOCK indicates a balance of Kshs 516,791,688 resulting in an unexplained difference of Kshs 73,030,006 Management has not provided explanation for the discrepancy. There is also no plan for the utilization of the uncommitted balance and the accrued interest despite the advanced stage of completion of the headquarters building

In the circumstances, it was not possible to confirm the accuracy and validity of the Ministry transfers to NOCK on account of headquarter building

182. Presentation of Personnel Emoluments

Included in the acquisition of assets expenditure of Kshs 31,471,177,000 under purchase of vehicles figure of Kshs 33,009,000 and as disclosed under note 18 to the financial statements is the cost of one motor vehicle with a cost of Kshs 7,000,000 Information and documents available indicate that the amount is a one off car allowance paid to the Cabinet Secretaries as per the National Treasury Circular. Consequently, the classification and presentation of the expenditure is inappropriate and not in conformance with International Public Sector Accounting Standards cash basis of accounting.

183. Compliance with Public Procurement and Disposals Act (Preference and Reservations)

Included in the Ministry's expenditure of Kshs 32,165,726,000 on assets acquisition and use of goods and services and as disclosed under notes 12 and 18 to the financial statements are own direct procurement of goods and services amounting to Kshs 2,030,781,828. The Ministry's quarterly reporting on 30% Public Procurement Preference and Reservations report indicates that it awarded tenders to the youth, women and persons with disabilities amounting to Kshs 59,771,797 representing 2.9% of the procurement This is against the set threshold of not less than 30% as per regulation 31 (1) of the Public Procurements and Disposals (Preferences and Reservations Regulations amended)

184. Non-Financial Assets

184.1 Completeness of the Fixed Asset Register

As noted in the audit report for the financial year 2013/2014, the non-current assets acquired in periods prior to 2012/2013 have been excluded in these financial statements. Annex 1 to the financial statements indicates a summary of the Ministry's fixed assets register as at 30 June, 2015 with historical costs totalling Kshs 99,163,457,000. This covers assets acquired in the periods 2012/2013, 2013/2014 and 2014/2015 amounting to Kshs 35,855,782,000, Kshs 31,836,498,000 and Kshs 31,471,177,000 respectively. This situation is indicative of significant impairment of properties (assets).

184.2 Land without Title Deeds

As reported in prior year, the Ministry does not have title deeds for some of the parcels of land in Kericho, Kisii, Migori, Bukura, Uasin Gishu, Kitui, Wambugu and Mitunguu Energy Centres. Information available indicates that the process of acquiring titles for some of the land parcels has been ongoing for significantly long durations. It is therefore, not possible to verify the rightful ownership of these properties.

In light of the above paragraphs, it is not possible to give an opinion on the carrying values of the assets as reflected in the financial statements.

Other Matter

185. Utilization of Resource Centre at Mitunguu in South Imenti Sub – County

During the financial year 2012/2013, the Ministry expended amounts totalling Kshs.44,636,192 to put up Mitunguu Energy Resource Centre with the completion and hand over date of 25 July 2013. As in previous year's (2013/2014) audit report, the viability of the Centre due to non-optimal utilization was questioned. The management in its response to the Public Accounts Committee (PAC) sitting committed to fully operationalize the Centre and provided a business plan. However as at the time of the audit visit in October 2015, the facility continued to remain idle as the business plan had not been implemented. In light of the above paragraph, I am unable to confirm whether there is value for money on the expenditure over the project. My opinion is not qualified in respect of this matter.

**KENYA ENERGY ENVIRONMENT AND SOCIAL RESPONSIBILITY
PROGRAMME FUND**

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

Other Matter

186. Over Expenditure on use of Goods and Services

The Fund during the year under review, incurred expenditure totalling Kshs 219,967,601 on payments for use of goods and services against an approved budget of Kshs 80,000,000 thus resulting in a budget overrun of Kshs 139,967,601 or 175%. The Fund is therefore in contravention of the Public Financial Management Act 2012 Section 43 (2) (c) which provides for seeking supplementary approval for approved expenditure exceeding 10%

PETROLEUM DEVELOPMENT LEVY FUND

Basis for Qualified Opinion

187. Bank Balances

The reported bank balances as at 30 June 2015 of Kshs.337,080,698 exclude receipts in bank of Kshs 6,975,322 in regards to interest income and expenditure associated to withholding tax of Kshs 1,046,298 relating to the year under review. This resulted in the understatement of bank balance and receipts income by Kshs 5,929,024

Consequently, the accuracy of the bank balance could not be confirmed

188. Non-Compliance with the PDL Act Cap 426 (C)

Contrary to the Petroleum Development Fund Act Cap 426C Section 4 which provides for payment of funds appropriated by parliament for the purpose to the Fund account, the National Treasury transferred Kshs 1,458,700,000 to the Ministry of Energy and Petroleum's main account instead of the Petroleum Development Fund Account of which the Ministry expended the amount received to five institutions for budgetary support without the relevant supporting documentary evidence. Payments from the Fund ought to be for development of common facilities for distribution or testing of oil products and for matters relating to development of oil industry as the Minister may direct

In the circumstances, the propriety of the expenditure of Kshs.1,458,700,000 could not be confirmed

Other Matter

189. Use of Goods and Services

The financial statements of the Fund, and as disclosed in note 3 reflect expenditure of Kshs.26,525,594, under use of goods and services of which there was no budgetary provision set for the expenditure. Consequently the Fund is in breach of Section 196 of the Public Finance Management Act, 2012 on seeking approval prior to expending public funds.

My opinion is not qualified in respect of this matter.

PETROLEUM TRAINING LEVY FUND

Basis for Qualified Opinion

190. Excess Expenditure

The Ministry during the year under review, incurred expenditure totaling Kshs.669,970,270 on payments for use of goods and services, transfer to other government units and interest payments in comparison to an approved budget of Kshs.600,000,000 thus resulting in a budget overrun of Kshs.69,970,270 or 12%. The Ministry is therefore in contravention of the Public Financial Management Act 2012 Section 43 (2) (c) which provides for seeking supplementary approval for approved expenditure exceeding 10%.

191. Unsupported Imprest Surrender

Included in the training expenses amount of Kshs.541,097,804 and reported under use of goods and services is an imprest surrender of Kshs.7,800,000 on account of 'Powering Freedom' campaign during the launch of Olkaria IV 140 MW power plant. This expenditure has not been supported with relevant documentation. Consequently, it has not been possible to confirm the validity and accuracy of the Kshs.7,800,000 training expenditure as reported.

192. Completeness of Reported Revenue

The total reported receipts of Kshs.415,922,716 exclude unreceipted revenues totalling Kshs.74,103,211.45 earned during the year on account of contributions by oil companies and interest earned on deposits. This represents 18% of the reported receipts in the financial statements. Consequently, the reported revenue is understated to that extent. It was therefore not possible to confirm the accuracy of the reported deficit in the financial statements.

DONOR FUNDED PROJECTS

**KENYA ELECTRICITY EXPANSION PROJECT (IDA CR.NO.4743-KE) -
MINISTRY OF ENERGY AND PETROLEUM**

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

**KENYA PETROLEUM TECHNICAL ASSISTANCE PROJECT (IDA CR. NO.
5526-KE)**

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

MINISTRY OF INDUSTRIALISATION AND ENTERPRISE DEVELOPMENT

FINANCIAL STATEMENTS FOR VOTE 117

Basis for Qualified Opinion

193. Irregular Procurements

193.1 Procurement of Consultancy Services

The Ministerial Tender Committee (MTC) in its meeting held on 25 November 2014 deliberated and awarded consultancy services for provision of technical support to the Business Environment Delivery Unit to M/s Strathmore Business School. The Ministry invited bidders but only one application was received. The tender committee went ahead and awarded the tender to the only responsive bidder which in effect resulted in use of direct procurement method.

From the subsequent payment documents, it was noted that the proforma invoice and invoice were issued on 6 November 2014 and 17 November 2014 respectively and received by the Ministry before Local Purchase Order dated 27 November 2014 was raised. Further, whereas the contract agreement had indicated that the whole exercise was to be carried out in three months so that all stakeholders in the department may be involved, the service was done in less than a week and the consultant was paid Kshs.5,940,000 on 2 December 2014 contrary to the terms of the contract.

No supporting evidence was availed as to why the consultant commenced work before the contract was awarded and signed or reasons given for use of direct procurement method for work that could have been sourced from many consultants defeating the need for fair competition and fair pricing of the tender award.

193.2 Ease of Doing Business Improvement Programme – Phase II

It was further noted that the same consultant was awarded the contract for provision of consultancy services for ease of doing business improvement programme – Phase II at a cost of Kshs.5,127,200. The tender was opened on 26 May 2015, and Local Purchase Order issued on 9 June 2015 while the invoice by the consultant was raised on 25 June 2015 after the two parties signed the contract on 18 June 2015. The contract stated in the special conditions that the duration of the contract should take four (4) months from the date of the contract as is guided by the work plan submitted by the consultant. The work was eventually completed in less than three weeks. This also casts doubt as to whether the service had already been mooted earlier and the tender committee was being used to rubberstamp or to ratify an already consummated transaction. Further, it is also doubtful to determine whether the relevant stakeholders were consulted on this transaction. The procurement procedure may not have been followed in procuring the above two services contrary to Section 68(3) of Public Procurement and Disposal Act, 2005.

Consequently, the propriety and value for money from the transaction's worth Kshs 11,067,200 could not be confirmed

193.3 Irregular Consultancy Service Contract

The Ministry procured consultancy services from a consultancy firm M/s Mckinsey and Company Inc Africa Propriety Ltd for support of delivery of Kenya's Industrial Program. The contract was signed between the two parties on 18 November 2014 for a contract sum of Kshs 348,000,000

Clause 2 of the contract agreement under subsection 2 1 and 2 2 indicates that the contract was to come into effect on the date the contract is signed by both parties and that the consultant would begin carrying out the services upon signing of the contract or at such other date as may be specified in the service contract

A review of the process indicated that the consultant raised an invoice of Kshs.69,827,963 on 11 November 2014 for Milestone 1(inception) even before the contract was signed between the two parties implying that the consultant may have started working before the contract was awarded and the signing of the contract was a mere ratification of the said contract. This contravened Section 68(3) of the Public Procurement and Disposal Act, 2005.

Under the circumstance, the propriety or the expenditure could not be confirmed

194. Irregular Reallocation of Development Grants to Recurrent Expenditure

Included in grants and transfers to other Government entities of Kshs 4,361,284,254 is an amount of Kshs 200,000,000 transferred to Medium and Small Enterprise Authority (MSEA) on 17 November 2014

The Ministry had earlier written to Treasury vide letter dated 22 August 2014 requesting for Authority to reallocate the amount within the development vote towards planned implementation of textile development through MSEA and the authority was granted on 2 September 2014.

Available records however revealed that the Ministry in a letter to MSEA dated 28 November 2014 instructed the Authority to utilise the amount of Kshs 200 million meant for textile implementation programme by paying Kshs 50 million to various security firms which the Ministry had contracted in 2012 and the contracts extended up to December 2014 while constructing Constituency Industrial Development Centres (CIDCs)

Further scrutiny of records maintained at MSEA to support the security expenditure indicated that photocopies were used instead of original documents. This casts doubt on the validity of the security payments which had not been previously disclosed by the Ministry as part of the pending bills. It's also not clear why the same security payment was not paid by the Ministry that incurred the expenditure during the 2011/2012 and 2013/2014 financial years when the service is presumed to have been delivered. No evidence was availed to indicate whether approval of Treasury was sought and obtained to allow MSEA to divert Kshs 50 million meant for textile programme towards payment of the security services

This resulted in diversion of development funds to recurrent expenditure through paying the said Kshs 50 million meant for textile implementation programme to payment of security without Treasury approval which contravenes the Public Financial Management Act, 2012 and Treasury circulars issued from time to time. In addition, the remaining balance of Kshs.150,000,000 was largely applied to other recurrent expenditure not related to the envisaged textile programme.

In view of the foregoing, it has not been possible to confirm the legality, validity and propriety of the expenditure of Kshs 200,000,000.

195. Loss of Cash

During the previous year's audit, it was reported that the Ministry had lost Kshs 6,403,200 apparently paid wrongly to a merchant during the 2011/2012 financial year. A review of the position indicated that an amount of Kshs.3,500,000 has since been recovered leaving a balance of Kshs.2,903,200 outstanding plus interest. The Ministry stands to lose public funds due to negligence or lack of willingness to follow the issue to its logical conclusion.

Consequently, the recovery of the Kshs 2,903,200 remains doubtful.

196. Loss of CIDC Equipment and Tools at KIRDI

During the 2009/2010, the Government established the Economic Stimulus Programme (ESP) with the aim of overcoming the challenges occasioned by the global financial crises of 2008/2009 through creating opportunities for Kenyans for a better future. The then Ministry of Industrialization (now Ministry of Industrialization and Enterprise Development) was one of the Ministries selected to participate in the Constituency Industrial Development Centres (CIDC) component of the Economic Stimulus Programme. During the 2010/2011 financial year, the Ministry of Industrialization and Enterprise Development undertook to construct and equip CIDCs in all the then 210 constituencies under the old constitutional dispensation.

As the construction progressed, the Ministry decided to procure tools and equipment such as lathe machines, compressors, concrete mixtures, vibrators, hand drills among others valued at Kshs.220,691,487 for all the 210 CIDCs even before construction was complete. As a result, the items were warehoused at the Kenya Industrial Research and Development Institute (KIRDI) to await distribution upon completion of the CIDCs. To date 64 CIDCs are completed with electricity connected but 89 are still at different levels of completion while some 22 constituencies did not provide land for the construction. It has not been possible to confirm why the Ministry hastened to procure all the equipment and tools when construction was far from completion.

In addition, during the year under review, it was learnt that some equipment had been stolen, and an audit inspection at KIRDI premises revealed that there has been constant pilferage of the equipment and tools and the store is almost empty with less valuable items such as fire extinguishers and cannibalised machinery.

Whereas several items had been issued to some of the completed CIDCs, a comparison of the original stocktake with the current situation revealed that goods of an approximate value of over Kshs 60,000,000 may have been misappropriated. This

is despite the fact that the store is under 24 hours' surveillance and is inside a guarded and fenced compound of the Institute an indication that, the management may have been culpable of the loss due to negligence

Consequently, it has not been possible to confirm that the Ministry got value for money for the procured tools worth Kshs 220,691,487.

197. Budgetary Control

197.1 Comparison of Budgeted versus Actual

A comparison of the recurrent & development budget verses the actuals revealed the following,

Details		Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisa-tion
		a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS							
Exchequer releases		10,032,628,228	0	10,032,628,228	5,548,647,700	-4,483,980,528	55%
Proceeds from Sale of Assets		15,000,000	0	15,000,000	18,173,321	3,173,321	121%
Other Receipts	Licencing fee						
	AIA	9,000,000	0	9,000,000	15,065,686	6,065,686	167%
Total		10,056,628,228	0	10,056,628,228	5,581,886,707	4,474,741,521	56%
PAYMENTS							
Compensation of Employees		566,952,000	-34,000,000	532,952,000	520,528,946	-12,423,054	98%
Use of goods and services		1,502,773,987	-433,207,100	1,069,566,887	606,342,226	-463,224,661	57%
Other grants and transfers		3,370,956,219	3,168,800,000	6,539,756,219	4,362,703,414	-2,177,052,805	67%
Social Security Benefits		9,819,586	0	9,819,586	2,972,167	-6,847,419	30%
Acquisition of Assets		4,277,847,236	-3,392,395,720	885,451,516	125,056,949	-760,394,567	14%
Totals		9,723,349,028	690,802,820	9,032,546,208	5,617,603,702	3,419,942,506	62%

The budget was therefore under-utilized by Kshs.3,419,942,506 representing about 38% under absorption.

197.2 Grants and Budget Execution

The supplementary budget of grants and transfers to agencies exceeded 10% yet there is no evidence that there was unforeseen and unavoidable circumstance where no budget provision was made. A tabulation of the over expenditures are as follows:

Recurrent & Development Expenditure				
	Approved Printed Estimates KShs.'000'	Supplementary Estimates KShs.'000'	Cumulative Expenditure KShs.'000'	% Revision
Grants & others transfer to agencies	3,365,956,219	2,668,800,000	6,034,756,219	79%

The supplementary estimates amounting to Kshs.2,668,800,000 did not comply with provisions of Article 223(5) of the Constitution of Kenya Sections 21, 43(2)(c) and 44 of the PFM Act, 2012 and Section 40(9) of PFM Regulations, 2015 were also violated. Consequently the expenditure was contrary to the fiscal responsibility principles and financial objectives of the economy.

197.3 Textile and Leather Working Machinery and Equipment

During the year ended 30 June 2015, the Ministry procured textile and leather workshop machinery and equipment such as generators, folding machines, industrial training machines, sewing machines, overlock machines, ashford tapestry machines among others for Kenya Industrial Training Institute, Nakuru worth Kshs.214,899,000.

Although the inspection and acceptance committee certificate confirmed the goods to have been of the right quantity and specifications, the machines and equipment have not been installed and used as planned owing to lack of power installation and alleged delayed exchequer releases.

In the circumstances, it has not been possible to confirm that value for money has been obtained for the expenditure of Kshs.214,899,000.00.

198. Pending Bills

The Ministry's financial statements disclose pending bills of Kshs.295,233, 519 as at 30 June 2015. Included in these bills is Kshs.29,147,682 relating to legal fees payable to

the Attorney-General but for which no supporting documentation was made available for audit verification. Further, the carrying forward of the pending bills distorts the subsequent year's budget.

In the circumstances, it has not been possible to confirm the propriety of this expenditure.

199. Non-compliance with Public Finance Management Act, 2012 – Management, Supervision and Liquidation Fund

Section 84 of the Public Finance Management Act, 2012 requires the Accounting Officer administering a national public fund to prepare and submit financial statements of the funds at the end of each fiscal period and submit the same for audit to the Auditor-General. Further, Rule 18 and 49 of the Cooperative Societies Rules, 2004 under Legal Notice No.123, establishes both the Management and Supervision Fund, and the Cooperative Liquidation Account respectively and entrusts the Commissioner for Cooperatives with their management and administration. The Ministry did not prepare and submit for audit separate financial statements of the Management and Supervision Fund as well as Liquidation Account for the years ended 30 June 2013, 2014 and 2015 to enable the Auditor-General to give an assurance or otherwise on the Fund's financial position by the said date.

In the circumstances, the Ministry is in breach of the law.

MINISTRY OF MINING

FINANCIAL STATEMENTS FOR VOTE 119

Basis for Qualified Opinion

200. Un-authorized Expenditure on Surplus Appropriation in Aid (A.I.A.)

The statement of receipts and payments reflects other receipts totaling Kshs 1,319,889,112 which under note 3 to the financial statements under A I A reflects a balance of Kshs 34,916,416 45 against an approved budget of Kshs 14,000,000 resulting in an excess/surplus in A I A of Kshs 20,916,416 45 which procedurally, the Ministry of Mining should have surrendered to the exchequer account. However as at 30 June 2015, the surplus AIA had been expended and remained unsurrendered

201. Revenue

201.1 Royalties Received from Carbacid Company Ltd – Carbon Dioxide

Other Receipts' balance of Kshs.1,319,889,112 includes royalties of Kshs 1,008,093 received from Carbacid Co Ltd on carbon dioxide. Clause 10 of the signed mining license requires Carbacid Co Ltd to file progress reports and sales return which form the basis for royalty payments Carbacid Co. Ltd has to date not complied with the provision In the circumstance, it has not been possible to confirm the accuracy and completeness of the royalties amount received from Carbacid Company Ltd

201.2 Royalties received from Base Titanium Limited - Titanium

Included in the Other Receipts are royalties received from Base Titanium Limited of Kshs 260,706,550 on account of titanium exports These receipts are based on self-declared export quantities for which the Commissioner of Mines and Geology has issued export permits There has been no evidence of subsequent verification of the actual exports vis-à-vis declared quantities to validate their accuracy It is therefore not possible to confirm the completeness and validity of royalties' income as reported under Base Titanium Limited

202. Uncollected Revenues on Dealer Licenses

The Ministry has not put in place a functional system for tracking dealers' license validity and supervision of their operations Consequently, there has been no dealer premise visits conducted in the year under review to verify validity and compliance with the existing license terms Information available indicates that revenues totalling Kshs 820,000 in the form of dealer license remained uncollected and undisclosed in the financial statements as of 30 June 2015 In the circumstances, it was not possible to confirm the accuracy and completeness of revenue figure of Kshs 1,319,889,112 disclosed under note (3) to the financial statements

203. Irregular Export Permits

Information available indicates that export permits with a value of US\$ 18,619,645 (approximately Kshs 1.9 billion) were issued during the year by an unauthorized officer whose employment contract expired on 19 April 2014. This is contrary to the Mining Act which stipulates that, export permits are to be signed off by the Commissioner of Mines or an authorized officer whose authority has been delegated in writing.

Consequently, the validity of the revenue collections on the export permits issued by the officer could be challenged.

204. Pending Bills

As disclosed under Annex 1 in these financial statements, the Ministry has pending bills totalling Kshs 9,060,804 as at 30 June 2015 relating to 2014/2015 financial year that have been carried forward to 2015/2016 financial year. The reported operating expenses have been understated by this amount.

205. Lack of Fixed Assets Register

The Ministry does not maintain a fixed asset register for all its fixed assets. It is therefore not possible to verify ownership, existence and valuation of all its assets.

Other Matter

We draw your attention to the following matters:

206. Appointment as Receiver/Collector of Revenue

As at the time of concluding the audit, the Ministry of Mining was yet to be appointed receiver / collector of revenue and has continued during the year under review to collect revenue contrary to the Public Financial Management Act, 2012, section 75(1). The accounting officer has subsequently, vide letter dated 16 November 2015 written to Director General Accounting Services for appointment as receiver/ collector of revenue.

207. Irregular Meetings of the Audit Committee

Treasury circular No 16 dated 4 October 2005 requires that the audit committee meets at least four (4) times in a year. During the year under review, the committee met only once on 28 August 2014, hence rendering limited oversight and governance over ministerial activities. The financial statements were also not reviewed and approved by the committee before being submitted for audit as stipulated in the circular.

208. Delays in Commissioning of Ministry Laboratory

The Ministry during the financial year completed the construction of its new laboratory complex at Industrial Area at a cost of Kshs 102,848,436.20. However, as at the

completion of this audit, the laboratory had not been put into use and has continued to remain idle.

My opinion is not qualified in respect to the above matters

**OFFICE OF THE ATTORNEY-GENERAL AND DEPARTMENT
OF JUSTICE
FINANCIAL STATEMENTS FOR VOTE 120**

Basis for Qualified Opinion

209. Accuracy and Completeness of the Financial Statements

The figures reported in the financial statements as at 30 June 2015 do not agree with the figures in IFMIS as tabulated below;-

Variances between IFMIS and Financial Statements Balances

Details	Financial Statements (Kshs)	IFMIS Report (Kshs)	Variance (Kshs)
Receipts	3,263,655,000	3,236,765,000	(26,890,000)
Payments	3,274,596,843	3,290,346,644	15,749,801
Financial Assets	93,700,021	1,242,329,451	(1,146,629,430)
Financial Liabilities	93,685,412	850,450,505	(756,765,093)
Opening Balances (Net Financial Assets)	21,433,222	21,293,019	140,203

Although the Office of the Attorney-General and Department of Justice has attributed the variances to non-functional auto reconciliation function in IFMIS, it is not clear why the office cannot reconcile its records. Further, failure to maintain accurate records in IFMIS may imply inaccuracy and incompleteness of the financial statements.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June 2015 could not be ascertained.

210. Unsupported Revenue Expenditure

The statement of receipts and payments reflects proceeds from domestic and foreign grants of Kshs 300,000,000 as at 30 June 2015. It was alleged that the donor agencies paid the funds directly to recipient projects/programs and the expenditure incurred thereon in form of Research, Studies, Project Preparation, Design and Supervision. However, no supporting documentation has been provided for audit review to confirm the amount received and spent by the Office of the Attorney-General and Department of Justice.

Consequently, it was not possible to confirm the accuracy and propriety of the revenue or expenditure of Kshs 300,000,000.

211. Pending Bills

During the previous financial year, the Office of the Attorney-General and Department of Justice disclosed pending bills amounting to Kshs 17,060,902 45 However, this figure was understated by Kshs 16,122,500 00 of other pending bills that were not disclosed and supported and have subsequently been paid in the year 2014/2015

Further, the pending bills for the financial year 2014/2015 amounted to Kshs.204,450,444 out of which Kshs 14,215,439 remained unpaid as at the time of audit and is likely to distort the 2015/2016 budget. In addition, Note 24 reflects Kshs 93,685,412 as accounts payable whereas Note 26 1 to 26 3 reflects nil balance

212. Cash and Cash Equivalents

Examination of the recurrent account bank reconciliation statement revealed payments in cash book not in bank statement of Kshs 104,619,219 36 out of which Kshs.35,744,293 have been long outstanding and also payments in bank statement but not in cash book amounting to Kshs.53,132,463 out of which Kshs 45,162,116 have been long outstanding

Although the office has explained that they have adjusted their cash book with Kshs 33,127,388 and Kshs 33,078,871 respectively and further explained that most of the payments in bank and not in cash book were pay advances that were paid by Central Bank of Kenya on their behalf to foreign banks, no analysis was provided to support and justify the adjustments

In the circumstances, the cash and cash equivalents balance of Kshs.93,871,592 30 could not be confirmed

213. Non-Disclosure of Fixed Assets

As previously reported in Annex 4 to the financial statements, the office of the Attorney-General and Department of Justice had fixed assets of Kshs 165,132,187 (2013 Kshs 183,260,588) as at 30 June 2014 However, the Office of the Attorney-General and Department of Justice did not maintain a fixed assets register during the year and did not disclose any fixed assets in Annex 4 as at 30 June 2015 It was therefore not possible to verify and confirm the fixed assets maintained and added or disposed during the year

In the circumstances, the accuracy of nil balance, the existence, security and values of the fixed assets of the office could not be ascertained.

Other Matter

214. Weak Internal Control

Office of the Attorney-General and Department of Justice has weak internal control,

i) There is no system in place for capturing and verifying data from direct payments by the donors. Thus figures reflected in the financial statements about these payments are not supported and their accuracy could not be ascertained.

ii) Internal Control Environment and Policies

- a) There are no risk assessment processes implemented at the Office and there is no evidence of disaster recovery plan/business continuity program that is put in place.
- b) There is no documented and approved risk management policy and there are no written policies and procedures to guide key processes for management of assets, revenue, expenditure, personnel and service delivery.
- c) There is no Information Technology (IT) Strategic Plan and committee to guide IT governance and align it to the strategic objectives of the Office.

Data integrity is upon which the financial statements are prepared by the office is doubtful.

215. Budget and Budgetary Control

The Office of the Attorney-General and Department of Justice had a total budget for the year 2014/2015 of Kshs 3,482,018,843 for both recurrent and development expenditure. However, the Office utilised a total of Kshs 3,002,775,301 resulting in an underutilization of Kshs.479,243,542 (13%) of the total budget. Further, the office did not receive Kshs.801,509,542 (21%) of the planned exchequer releases to implement its annual objectives.

The major budget variance were as follows

No.	Item	Budget (Kshs.)	Actual (Kshs.)	Variance (Kshs.)	%
1.	Under-expenditure in acquisition of assets	124,866,901	56,283,561	68,583,340	45%
2.	Increase in expenditure in respect of Research studies and projects	300,000,000	87,804,497	212,195,503	70%

The under expenditure on acquisition of assets has a negative impact on service delivery and the huge increase in research studies reflects an unrealistic budget.

My opinion is not qualified in respect of these matters.

OFFICE OF THE ATTORNEY-GENERAL AND DEPARTMENT OF JUSTICE – OFFICIAL RECEIVER

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

I draw your attention to the following weaknesses in the internal control systems of the Official Receiver

- a) There was no risk management policy in place during the year under review
- b) No risk assessment was carried out to identify and address key areas of concern and document specific controls in response to identified risks – There is no evidence that management assessed the internal controls applicable to address any material weaknesses that could be inherent in the controls.
- c) The Official Receiver has not produced operating manuals to guide key processes and controls for receipts from debtors/customers, payments to creditors, personnel, expenditure, assets and liabilities and investments
- d) There was no operational plan for the year under review
- e) Most systems of the Official Receiver are manual
- f) The institution does not have an approved Information Technology (IT) strategic plan and security policy
- g) The institution has no formal, documented and tested disaster recovery plan/emergency procedure in place, to guide on cases of emergency

My opinion is not qualified in respect of this matter

REVENUE STATEMENT OF OFFICE OF THE ATTORNEY-GENERAL AND DEPARTMENT OF JUSTICE

Basis for Qualified Opinion

216. Revenue Budget Analysis

The revenue statement reflects actual collections of Kshs 430,482,650 against estimated receipts of Kshs.504,640,710. However further scrutiny of sources of revenue reveals huge over and under collections particularly in respect of Registration of Companies (Over-Kshs 260,374,071) or 1385%, Registration of marriages (Over-Kshs 71,184,216) or 1312%, Registration of Books and Newspapers (Under-Kshs 9,721,343) or 98% and Public Trustees Fees – (Under-Kshs 401,165,523) or 88%

among others. Although the under and over collections were attributed to introduction of Huduma Centres, the Office has not explained the steps it has taken to ensure that its revenue estimates are as realistic as possible. Further, the drastic drop in some sources of revenue compared to 2013/2014 has not been justified.

217. Difference between Revenue Statements Amounts and Records Reported at the Collection Points

The Office of the Attorney-General and Department of Justice has several revenue collection points including the Public Trustee. Revenue reported to have been collected should tally with the records maintained at each of the collection points. Review of the records maintained by the Public Trustee revealed that there were variations between the revenue collected by the Department and the amount reflected in the statement of revenue by the Receiver of Kshs 7,101,240.45 and Kshs 6,533,313 which were returned to drawer (RD) cheques returned for collection to various Public Trustees stations and to various Deputy County Commissioners respectively. It was not clear and the Office has not explained the current status of the cheques as at 30 June 2015.

KENYA LAW REFORM COMMISSION

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

JUDGES AND MAGISTRATES VETTING BOARD

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

TRUTH, JUSTICE AND RECONCILIATION COMMISSION

Basis for Disclaimer of Opinion

218. Accuracy and Completeness of the Financial Statements

The statement of financial position of the Truth, Justice and Reconciliation Commission (TJRC) lacked opening balances. Further, the statement of management responsibilities was not signed by the officials as required. The whole financial statements were not dated and the necessary supporting documents and schedules including cash books and government ledgers, were not provided for audit review.

In addition, although notes to the financial statements were provided, they were poorly numbered and arranged such that it was not easy to follow the financial statements. The financial statements also lacked numbered pages and headings. The cash and cash equivalents' balance brought forward of Kshs.42,327,256.00 differs with the 2012/2013 closing balance of Kshs.41,388,316.00. There is a variance of Kshs.938,940.

In the statement of cash flows, cash and cash equivalents balance at the end of the year is posted as Kshs.28,601,894.00 , which differs from the statement of financial position's cash and cash equivalents balance of Kshs.172,236.00, resulting in a variance of Kshs.28,429,658.

In the circumstance, the accuracy and completeness of the financial statements could not be ascertained.

219. Un-Surrendered Imprests

The statement of financial performance under use of goods and services reflects an expenditure of Kshs.26,273,845.00 which includes an imprest of Kshs.2,113,920.00 which was not surrendered or accounted for.

Consequently, the recoverability of the outstanding imprest is doubtful.

There is no income reflected in the statement of financial performance, yet, there is an expenditure amount of Kshs.41,216,887.00.

220. Prior Year Adjustment

A prior year adjustment in the statement of financial position of Kshs.10,679,215.00 has not been explained. As a result, the accuracy and validity of the prior year adjustment could not be confirmed

THE JUDICIARY

FINANCIAL STATEMENTS FOR VOTE 121

221. Unsupported Foreign Grants

During the year under review, the United Nations Development Programme (UNDP) extended financial support towards reforms in the Judiciary to the tune of Kshs 47,007,198. Examination of relevant documents revealed that the Judiciary as the implementing partner in the Judiciary Transformation Support Project only prepares financial requests for specified functions which are paid for by the financing partner. The implementing partner does not maintain a cashbook and does not prepare payment vouchers for any expenditure incurred. A total of Kshs 47,007,198 was incurred in the implementation of the project in the year under review but the expenditure could not be verified because the payment vouchers and the relevant supporting documents were alleged to be in the financing partner's custody.

In view of the foregoing, the foreign grants of Kshs 47,007,198 and the expenditure thereof could not be ascertained.

222. Irregular Payments

Included in the figure of Ksh 16,358,600 in respect of board expenses is Kshs 3,025,500 which represents payment of monthly allowances to staff who attended board committee meetings of the Auctioneers Licensing Board. As per Office of the President circular NO OP/CAB 2/12A(9) dated 29 August 2003, public servants attached to commissions, committees and boards are entitled to be paid one third (1/3) of the amount paid to non-public servants in a given board/commission/committee. However, the Auctioneers Licensing Board paid Kshs 1,196,667 over and above the amount stipulated in the Circular.

Consequently, the expenditure of Kshs 1,196,667 is not a proper charge to public funds and has not been recovered to date.

223. Cash and Cash Equivalents

223.1 The cash and cash equivalents' balance of Kshs 117,539,897 represents three bank accounts namely recurrent, development and project (JPIP). Further, the Judiciary maintains bank accounts at Kenya Commercial Bank for AIE-Recurrent and development accounts in all the 120 court stations. At the end of the financial year, these court accounts are expected to have a nil balance because any outstanding balance should be remitted to the main account at the central bank. However, Kshs 18,255,732.20 outstanding balances for six (6) court stations of Homabay, Kerugoya, Gatundu, Kehancha, Nyando and Taveta had not been transferred to the headquarters account at the Central Bank of Kenya as at 30 June 2015.

223.2 Outstanding Imprests and Salary Advances

Included in the imprest and cash balance of Kshs.11,803,266 as at 30 June 2015 is an amount of Kshs.3,859,025 which has been outstanding for almost one year and has not been recovered as at the date of this report. Further, the cash balance differs with the balance of Kshs.11,871,262 shown in Note 10 by Kshs.67,996.

The recoverability of the outstanding imprest is doubtful.

In view of the foregoing, the accuracy and completeness of the cash and cash equivalents balance of Kshs.117,539,897 could not be confirmed.

224. National Health Insurance Fund Contributions

The Judiciary did not effect the new NHIF rates with effect from 1 April 2015 as expected and specified by the legal notice No.107 but commenced the revised rates as from July 2015. Arising from the failure to apply the new rates in the months of April, May and June 2015, the Judiciary failed to remit an amount of Kshs.14,515,410. Failure to comply with the gazette notice supplement No.12 is a breach of the law and regulations and this reflects negatively on the Judiciary, an institution which is the custodian on the application of the laws of the Republic of Kenya.

The Judiciary risks payment of huge penalties to the Fund.

225. Acquisition of Assets

During audit inspection of construction of court buildings in various courts and various court operations in the month of September 2015, the following observations were made:-

225.1 Narok Law Courts

The Judiciary awarded a contract for erection and completion of Narok Law Courts to a construction firm for Kshs.20,583,210 contract No. D26RV/NRK/601 Job No.8174A to commence on 1 August 2007 for 52 weeks and to be completed on 28 August 2007. The contract was extended up to 30 November 2009 with a cost variation of Kshs.3,032,302.20 without any justifiable reasons. Although the contractor was required to enter into a sub-contract agreement with another firm for plumbing, drainage and fire protection at a cost of Kshs.2,257,44.20, it is not clear whether it materialized as no evidence was availed. Due to poor performance, the contractor was given 14 days on 9 December 2009 to complete the works or the contract be terminated in accordance with clause 33 of the conditions of the contract.

However, in unclear circumstances, and instead of terminating the contract, the contractor was paid Kshs.1,154,756.80 (certificate No. 9 dated 11 December 2009), Kshs.570,636.50(Retention fees), Kshs.2,107,684.30 (certificate No.11 of 8 October 2010) and Kshs.1,189,401.30 (certificate No.10 of 11 November 2010).

After the above unclear payments, the project was still incomplete and it was handed over to the Judiciary on 22 March 2011. The Judiciary then advertised the works afresh

and awarded the fresh works to a different construction firm at a cost of Kshs.65,194,539 on 28 April 2015.

In the circumstances, it is not clear and the Judiciary has not explained how much the project has costed the tax payer and why the first contractor could not complete the project despite having been paid over 95% of the contract sum. Further due diligence was not carried out to protect public funds and interests.

225.2 Eldama-Ravine Law Courts

The Judiciary awarded two contracts Nos Jud/106/2014/2015 and Jud/107/2014/2015 for construction of a new court and refurbishment of the law court building at a cost of Kshs 65,505,814 80 and Kshs 4,304,365 80 respectively. The contracts were awarded to two construction firms on 4 February 2015

However, some tender documents were not typed and had alterations which casts doubts on the credibility of the whole tender process. Further, no title deeds were made available for audit verification

As a result, the propriety of the expenditure of Kshs 69,810,180 60 could not be ascertained

225.3 Kakamega Law Courts

On May 15, 2015, the Judiciary awarded contract No. Jud/130/2014/2015 for construction of public toilets, guardroom, holding cells, extension to customer care unit, repair of parking drive way, storm water drainage and masonry wall fencing to a construction firm at a cost of Kshs 34,670,412 80. However, the award was later contested by Judiciary who stopped the site handover on 16 July 2015 for further investigations on the tendering process. Further, even though the project was supposed to commence on 23 June 2015, the project has not kicked off by the time of audit in January 2016

In the circumstances, it is not clear how the Judiciary's will avoid possible risks of litigations and to save the tax payers money.

225.4 Mavoko Law Courts

(i) On 4 February 2014, the Judiciary awarded contract No. Jud/88/2014/2015 of Kshs 2,511,000 to a company for installation of two containers. Although the containers were installed, it was noted that they did not meet minimum required court standards due to lack of set up necessary partitions and their limited sizes.

In the circumstances, it was not clear whether Judiciary and the tax payer got value for money of the Kshs 2,511,000 spent on the project.

(ii) Further, and although the Judiciary in the year 2013 spent Kshs 46,458,069 for construction of a prefabricated Court at Mavoko, there was no evidence on the ground

as the court operates from the two steel containers with one placed dangerously on top of the other

It is not clear therefore how the Kshs.46,458,069 was accounted for and whether Judiciary got value for the money

225.5 Embu Law Courts

On 30 September 2014, the Judiciary awarded a tender to a firm for the construction of Embu High Court building at a cost of Kshs 229,325,146. However, tender documents were not made available for audit verifications

In the circumstances, it was not possible to ascertain that proper procurement procedures were followed in the Court construction and whether the expenditure was a proper charge to public funds.

225.6 Court Deposits

Scrutiny of Embu Chief Magistrate's Court deposit ledger showed that it included deposits which were deposited in the year 2003 and which had not been claimed nor the cases determined. It was not possible to establish the status of those cases or why the deposits remained unclaimed

In the circumstances, it has not been possible to ascertain the amount of court cash deposits held by the Embu Law Courts as at 30 June 2015.

226. Suspense Deposits and Outstanding Bank Payments

Examination of courts refunds made revealed that not all stations have submitted their bank reconciliation statements and the refunds were not fully supported. Further, outstanding deposit account reconciliation showed a suspense balance totalling Kshs 93,068,013.97 that has not been explained. In addition, the year-end reconciliation in Supreme Court has an outstanding payment in bank but not in the cashbook totalling Kshs 62,863,086. These payments are neither supported nor explained as to what they represented. Consequently, the total deposits account balance of Kshs.3,151,128,372.15 could not be confirmed

227. Chief Magistrate's Court – Kitale

227.1 Purchase of Furniture

Examination of records at the Chief Magistrate's office Kitale revealed that out of a total recurrent expenditure of Kshs 8,643,955, an amount of Kshs 969,225 was spent on purchase of furniture from Prisons Industry Fund. However, no inspection and acceptance certificates were issued contrary to Section 17(1)(4)(b)(c) of the Public Procurement and Disposal Regulations, 2006

In the absence of the inspection and acceptance committee's certificate, it has not been possible to determine whether the furniture supplied met the technical standards and whether the Judiciary got value for money

227.2 Failure to Maintain a Fixed Assets Register

During the year under review, the Judiciary did not maintain a fixed assets register to keep details of assets acquired during the year with a value of Kshs.902,752,829 and those brought forward with a balance of Kshs.1,457,592,424 (Note 7)

Further, the Kitale court did not maintain the assets register for assets used. It was therefore not possible to ascertain the existence, location, the number and value of assets in the custody of the department at the time of carrying out the audit.

In the absence of the fixed assets register, proper accountability of assets purchased, handed over and disposed off might not be guaranteed

Consequently, the existence, valuation, accuracy and security of the fixed assets stated at Kshs 2,390,345,253 could not be confirmed

228. Transfer to Other Government Units

Included in the statement of receipts and payments and at Note 5 is Transfer to Other Government Units balance of Kshs 378,861,368 as at 30 June 2015. However, Annex 3 supports a balance of Kshs 345,373,587. The resulting variance of Kshs.33,487,781 has not been reconciled

Consequently, the accuracy, and utilization and accountability of the Kshs.33,487,781 could not be confirmed

Other matter

229. Internal Audit

There was no evidence that internal audit section of the Judiciary has been carrying out its duties. This is due to lack of reports generated by this sector with its recommendations which should indicate how this section is assisting Judiciary to improve its performance on service delivery. The reports prepared, recommendations made and further actions taken to improve the Judiciary operations were not availed for audit verification

230. Previous Years Matters

In Note 14 to the financial statements, the Judiciary has indicated that all matters except No.5079a were resolved. However, Judiciary has not explained with sufficient evidence how the following matters were resolved

Paragraph	Issue
507(a)	Stalled projects at Bomet, Wanguru and Othaya Law Courts
507(b)	Tenders at Kericho Law Courts
507(c)	Non-functioning WAN/LAN
510	Accuracy of cash and cash equivalent balance
512	Outstanding Imprests and Advances
513 (i)	Unsupported Payments from deposit bank account
513 (ii)	Unreconciled deposit at Nyamira Law Court

Basis for Qualified Opinion

231. Budget and Budgetary Control

	Item	Category	Budget Kshs	Actual (Kshs)	Variance (Kshs)	%	Comments
1	Receipts	Development	3 093,000,000	1,277,387,057	1,815,612,943	41%	No explanation
2	Transfer to other Government Units	Development	167,000,000	65,967,038	101,032,962	40%	-
3	Acquisition of Assets	Development	1,776,000,000	825,031,189	950,968,811	46%	"
4	Other expenses	Development	1,100,000,000	547,862,461	552,137,539	50%	"
5	Acquisition of assets	Recurrent	131,862,414	77,721,639	54,140,775	59%	"

231.1 Budget versus Actual Variances

The Judiciary received only 41% of the development funds. Further, the management spent on average 50% of the expenditure budget. No explanation has been provided for variances.

231.2 Revenue Analysis

	Item	Category	2013/2014 (Kshs)	2014/2015 (Kshs)	Variance (Kshs)	%	Comments
1	Proceeds from domestic and Foreign Grants	Receipts	568,156,260	47,007,197	521,149,063	91%	Not explained
2	Other expenses	Payments	316,780,247	1,200,442,365	883,662,118	278%	Not explained

The huge drop in receipts for domestic and foreign grants of Kshs.521,149,063 has not been explained. Further, the over-expenditure of Kshs.883,662,118 in other expenses has not been justified. In addition, surplus for the year has dropped from Kshs.269,286,893 in 2013/2014 to a deficit of Kshs 139,943,733 in 2014/2015

In the circumstances, the budget and budgetary control mechanisms by the Judiciary are weak and the planned and promised services have not been effectively delivered for the year ended 30 June 2015

232. Budget Absorption versus Cases Clearance

During the year under review, the development budget absorption rate was estimated as 85% while the recurrent budget was estimated as 95%. Further the case clearance rate was recorded as 76%(303,126 cases resolved) which was a decline from the 87% (457,040 cases resolved) clearance in 2013/2014. Further, the Judiciary had 119 development projects during the year at varying stages of implementation to improve on courts and court facilities. However, it is not clear and Judiciary has not explained why both the budget absorption rates and the court cases clearance rates were on a decline while the tax payer expects enhanced services.

REVENUE STATEMENT - THE JUDICIARY

Basis for Qualified Opinion

233. Discrepancies in Revenue Records

233.1 Naivasha Law Courts

Records maintained at the station reflects the amounts of surrender to the Headquarters for court fines and court fees as Kshs 100,923,964 00 and Kshs 11,612,408 00 respectively. However, records maintained at the Headquarters had surrenders amounting to Kshs 110,192,341 00 and Kshs 10,583,445 00 for court fines and fees respectively and hence a difference of Kshs (9,268,377 00) for court fines and Kshs 1,028,963 00 for court fees. The difference between the two sets of records has not been reconciled.

In the circumstances, the accuracy and completeness of the revenue collected and surrendered from Naivasha Law Courts could not be confirmed as at 30 June 2015.

233.2 Eldoret Law Courts

Fines

An audit inspection at Eldoret Law Court indicates that fines collected in the financial year 2014/2015 was Kshs 51,984,727.00. However, the amount of fines surrendered at Headquarters totalled Kshs 38,070,330 00 resulting in an unexplained difference of Kshs 13,914,397 00.

Further, the revenue collection control sheet number 0192365 collected two different amounts of Kshs.522,360 00 and Kshs.1,537,475.00 In addition, the amount of fees collected could not be confirmed as revenue collection control sheets and surrenders were not made available for audit

Consequently, the amount of fines and fees collected and surrendered from Eldoret Law Courts could not be ascertained

Other Matter

234. Documents examined revealed that Naivasha Law Courts station did not maintain collections and surrender documents such as a clear copy of collection control sheet (GO 163 Revised), a properly prepared receipt voucher for each month and a summary indicating each month's surrender totals and the totals for the whole financial year at the year end A number of these documents were missing or poorly filed making it difficult to confirm whether correct surrenders were made to the Headquarters

Further, a number of revenue receipt books were not accounted for in Meru Court Station My opinion is not qualified in respect to this matter

DONOR FUNDED PROJECTS

CAPACITY DEVELOPMENT FOR THE SUPREME COURT OF KENYA PROJECT

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

Other Matter

235. The Capacity Development for the Supreme Court of Kenya Project Grant No 0130-0970 for \$1,000,000 (Kshs 52,120,000) was signed on 4 October 2013 for a two year period However, no funds were received and utilized in the first year ended 30 June 2014. In the current year 2014/2015 only Kshs.18,959,840 out of the Kshs 52,120,000 was utilized representing a paltry 36.4% Although the project has received a no-cost extension to 30 June 2016, the low project funds absorption may affect the achievement of project goals and objectives

JUDICIAL PERFORMANCE IMPROVEMENT PROJECT

Basis for Qualified Opinion

236. Undelivered Motor Vehicles

The project initially awarded a contract to CMC for supply of 13 motor vehicles on 02 April 2014 at a cost of Kshs 41,600,000 00 which was objected by the World Bank as CMC was not the lowest evaluated bidder. The contract was later awarded to Global Fleet

Sales Company of Thailand, through competitive International Tender, for supply of thirteen (13) Ford Everest 4x4 vehicles vide tender Min. JTC/11/2013/14 dated 2 April 2014 at a cost of US\$ 425,800 (equivalent Kshs 36,234,125) The cost excluded custom duty and other taxes. The delivery period was three months after payment of 90% of the cost. However, at the time of the audit, only 9 vehicles had been delivered after a payment of Kshs.66,891,600 55.

The delay in delivery of the above vehicles occasioned ineligible penalties of Kshs 20,645,562 as per Invoice No GFSHF14-0100F which had not been paid at the close of the year and the Project is likely to incur more costs if the remaining vehicles are not delivered. It is not clear why due diligence was not carried out by the Judiciary to avoid unnecessary costs to the taxpayer.

In the circumstances, the propriety of the ineligible penalties of Kshs 20,645,562 and the cost of the undelivered four vehicles could not be confirmed.

ETHICS AND ANTI-CORRUPTION COMMISSION (EACC)

FINANCIAL STATEMENTS FOR VOTE 122

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

NATIONAL INTELLIGENCE SERVICE

FINANCIAL STATEMENTS FOR VOTE 123

Basis for Qualified Opinion

237. Un-Cleared Agency Account Balance

The Service has not explained why the agency account balance (MFA) amounting to Kshs 43,666,962 00 brought forward from prior period has remained outstanding as at 30 June, 2015 as shown at note 13 to the financial statements

INTELLIGENCE SERVICE DEVELOPMENT FUND

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS

FINANCIAL STATEMENTS FOR VOTE 124

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

Emphasis of Matter

238. Increasing Pending Bills

The office has pending bills of Kshs 26,473,752 95 (2014 Kshs 1,196,404) as at 30 June 2015 against a deficit of Kshs.6,847,139(2014 Kshs 5,593,752). Service sustainability will be threatened if this trend continues into the future

My opinion is not qualified in respect to this matter

PUBLIC TRUSTEE

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

Other Matter

I draw your attention to the following internal control weaknesses

- (i) The Public Trustee has not fully embraced the use of IT services so as to migrate from the existing manual system to improve efficiency and accuracy in its accounting and record keeping Data integrity is therefore not assured
- (ii) There was also no approved disaster recovery plan and a documented and tested emergency procedure in place, should a disaster occur it may result in loss of the manual records and the Trustee may not recover or manage the recovery process properly This would interfere with operations and in turn grossly affect the beneficiaries
- (iii) There was no risk management policy in place during the year under review

My opinion is not qualified in respect to these matters

COMMISSION FOR IMPLEMENTATION OF THE CONSTITUTION

FINANCIAL STATEMENTS FOR VOTE 125

Basis for Qualified Opinion

239. Unauthorized Excess Vote

The Commission's statement of receipts and payments reflects expenditure amounting to Kshs 349,780,096 compared to an approved budget of Kshs 306,000,000. No evidence was available to support the approval of the over-expenditure by the National Assembly.

As a result the Commission had an unauthorized excess vote of Kshs 43,780,096 00 as at 30 June 2015

240. Cash and Cash Equivalents

240.1 Long Outstanding Items in Bank Reconciliation Statements

Examination of the bank statements and bank reconciliation statements revealed unexplained and unresolved long outstanding items as follows

Item	Central Bank of Kenya (Kshs)	KCB A/C (Kshs)
1. Payment in cashbook not in bank	11,192,330	3,464,548
2. Payment in Bank not in cash book	4,609,233	2,423,137
3. Receipts in cashbook not in Bank	10,001,113	2,903,479

Consequently, the cash and cash equivalents balance of Kshs 6,806,944, could not be confirmed

241. Previous Year's Issues

241.1 Outstanding Imprests and Advances

The statement of assets reflects an outstanding imprest balance of Kshs 32,941,671 00 as at 30 June 2014. However, records as at 20 January 2015 reflected a balance of Kshs 11,235,309.00 which remained outstanding beyond the due dates

No reason has been provided for the failure by the Commission to have the imprests recovered from the salaries of the imprest holders. Considering that the Commission's term comes to an end by 31 December 2015, these imprests may prove difficult to recover within the remaining period

241.2 Fraudulent Procurement of Goods and Services

The statement of receipts and payments as at 30 June 2014 reflects expenditure of Kshs.232,015,419 00 under use of goods and services which includes expenditure of Kshs 44,170,578.00 in respect of printing advertising and information supplies and services. The audit revealed that during the year under review, the Commission paid Kshs 9,200,000 00 to a supplier vide payment voucher No 1104 dated 22 April 2014 of Kshs.6,000,000.00 and payment voucher No.1288 of Kshs.3,200,000 00 for purported newspaper supplements, video, photography and media mobilization. These payments were made despite the following noted irregularities

- i. The Local service Order (L.S.O.) No 088968 that was used to pay Kshs 6,000,000 00 did not belong to the Commission
- ii There was no evidence of the method of procurement followed by the Commission or that of the tender committee sanctioning the procurement process.
- iii. The payment voucher No 1288 and supporting documentation that were used to pay Kshs 3,200,000 00 were not availed for the audit review as the voucher was reported to be missing

The Commission has however, indicated that the matter has since been reported to the Police Criminal Investigations Department (CID) for further investigation and recovery of Kshs.9,200,000 00 vide OB/43/12/2014. The recovery of Kshs 9,200,000.00 had not materialized as at 30 June 2015

OFFICE OF THE REGISTRAR OF POLITICAL PARTIES

FINANCIAL STATEMENTS FOR VOTE 126

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

REGISTRAR OF POLITICAL PARTIES FUND

Basis for Qualified Opinion

242. Unregistered Lease Agreement

The Office of Registrar of Political Parties entered into a lease agreement with I C E A Lion General Insurance Company Limited, for the leasing of their new offices at Lion Place, Waiyaki Way, Nairobi, for a period of 6(six) years from 1 June 2013 to 30 June 2019.

It comprises of 7,798sqff of office space and 929sqff of storage space at a cost of Kshs 90 and Kshs 22.50 per square foot respectively. The office paid Kshs 8,021,167 for the first quarter (1st July 2013-1st October 2013) and the lease transaction was finalized and signed accordingly. However, the lease agreement was not registered contrary to Section 54 of the Land Registration Act. Further, the security deposit of Kshs 4,083,181 has not been disclosed in the financial statements

In the circumstances, the validity and legality of the lease agreement could not be confirmed

WITNESS PROTECTION AGENCY

FINANCIAL STATEMENTS FOR VOTE 127

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

**MINISTRY OF INTERIOR AND COORDINATION OF NATIONAL
GOVERNMENT**

**STATE DEPARTMENT OF INTERIOR
FINANCIAL STATEMENTS FOR VOTE 133**

Basis for Qualified Opinion

**243. Contract for Provision of Comprehensive Group Life Insurance Cover;
Contract No. NPS/002/2014/2015**

Review of availed documents revealed the following

243.1 Irregular Award of Contract

Examination of an evaluation report for tender Number NPS/002/2014-2015 for the Provision of comprehensive group life insurance cover for National Police and Prisons Services revealed that the lowest evaluated bidder submitted a bid totaling Kshs 629,019,316 00 while the contract was awarded to another bidder at Kshs 1,747,209,700 00

Further, examination of the report revealed that the lowest evaluated bidder was disqualified based on the following grounds -

- (i) Form of tender was not duly completed and that the format of the form of tender had been violated by not stating the capacity of the signatory
- (ii) The bid document required that the person signing the form of tender indicates his/her capacity in the organization. However, the form of tender for the firm was signed on behalf of the Sales Manager Group Life and Pension and did not indicate his/her name and capacity in the organization

Although Section 64(2)(b) of the Public Procurement and Disposal Act, 2005 allows for corrections of errors or oversights that do not affect the substance of the tender, the lowest bidder was disqualified without being given a chance to correct the error

In addition, the basis upon which the lowest bidder was disqualified is not among mandatory requirements in the preliminary evaluation contrary to Section 66 (2) of Public Procurement and Disposal Act, 2005 which prohibits introduction of a new criterion during evaluation and comparison of tenders

Audit has also established that it was mandatory that 2% of tender security on the quoted tender amount be guaranteed. However, this requirement was waived in respect of the awarded firm as a guarantee of Kshs.32,940,252 00 issued by a bank on 26 May 2014 was accepted instead of Kshs 34,944,194 00

In an effort to defeat audit trail, an unsigned Bank guarantee amounting to Kshs 3,000,000.00 was issued by another Bank on 28 May 2014 to cover the shortfall amounting to Kshs.2,003,942 00 No reason has been given for the omission

243.2 Irregular Letter of Acceptance

Although, the awarded Company purports to have issued unreferenced Letter of Acceptance dated 7 June 2014, its validity and legality could not be confirmed as it is referring to Notification of Award Letter which is dated 30 June 2014

243.3 Notification of Award and Contract Document

Although, Notification of Award Ref No NPS//IG/C/C/GEN/41 Vol 1 (48) dated 30 June 2014 was issued to the firm, contract number NPS/002/2014-2015 for Provision of Comprehensive Group Life Insurance Cover for National Police and Kenya Prisons Service Staff was hurriedly signed on 1 July 2015 between the Accounting Officer and the firm for a period of two (2) years contrary to Section 68(2) of the Public Procurement and Disposal Act, 2005 that requires a contract to be signed fourteen (14) days after Notification

243.4 Performance Bond

Although, the firm submitted a Performance bond Ref No 001LBG010414 dated 17 July 2014 amounting to Kshs 174,720,970.00 to Office of the Inspector General in accordance with clause 7 of the contract, a Performance Bond is a crucial component of contract document signed on 1 July 2015

243.5 Nature and Scope of the Comprehensive Group Life Insurance Cover

Examination of the Group Life Insurance Cover has revealed that the scope included but not limited to the following -

- i) If an employee dies or suffers permanent and total disability defined in the policy document resulting from natural causes, the beneficiaries are entitled to a lump sum of 5 years basic salary
- ii) If an employee dies as a result of accidental and / or occupational causes, the beneficiaries are entitled to a lump sum payment of 8 years basic salary.
- iii) If an employee suffers permanent and total disability from accidental and / or occupational causes, the employee shall be entitled to a lump sum payment of 8 years basic salary
- iv) Cover for funeral expense is Kshs 150,000.00 per employee to be settled within 24 hours on receipt of burial permit
- v) The policy has no exclusion whatsoever in respect of any cause of death

However, examination of minutes of a meeting held on 30 June 2015 in which the renewal of the group life insurance cover was discussed, members were in agreement that renewal and payment must be based on satisfaction of the customer (National Police and Kenya Prison Services)

In this regard therefore, an assessment of the contract based on the nature and scope of the contract detailing the number of police and Prison officers, their monthly basic salaries and the lump sum paid by the applicant seeking renewal, was not done.

In addition, details of officers whose benefits are included in Article 3 of the contract as free cover limit amounting to Kshs 20,000,000.00 have not been defined or disclosed.

243.6 Payment Vouchers

Record of Payments show that the purported winner has been paid Kshs.3,494,419,400.00 in two (2) consecutive years;

Date	PV No.	Amount (Kshs.)
19.09 2014	382	1,600,000,000 00
23 03 2015	391	147,209,700.00
23 10 2015	528	1,747,209,700.00
Total		3,494,419,400.00

However, the Ministry has not availed Payment Voucher Number 391 for Kshs 147,209,700 00 and assessment report, the basis upon which I can evaluate and confirm that Kshs 3,494,419,400 00 so far paid is commensurate with contracted services offered and that the value for money has been realized in accordance with section 68(1) of the Public Financial Management Act, 2012.

A request for tender documents among other documents through letter Ref NS/MICNG/INSP/2014-2015 (9) dated 7 August 2015, however, the same were not submitted for audit review

In view of the foregoing, I am not able to confirm that the payment of Kshs 3,494,419,400 00 was lawful and effective as required under Article 229 (6) of the Constitution

244. Supply and Delivery of Communication Equipment and Accessories at Administration Police Service - Kshs.370,879,500.00

244.1 Award of Contract

Examination of contract records revealed that the tender for the Supply and Delivery of Communication Equipment and Accessories was advertised on 25 May 2012 for the

purchase of assorted items Thirty two (32) bidders bought tender documents out of which sixteen (16) returned the same for evaluation

Evaluation of tender reveals that eight (8) firms were responsive and their brochures were forwarded to Kenya Civil Aviation Authority for analysis However, the listed mandate of Kenya Civil Aviation Authority is to support air transport operations in the country which has no relevance to the procured items, therefore, the justification for submitting brochures and not samples to Kenya Civil Aviation Authority for analysis of communication equipment has not been explained

In addition, the Analysis Report from Kenya Civil Aviation Authority (KCAA) has not been availed for audit verification contrary to Section 37 of the Public Audit Act, 2003

244.2 Relationship of Awarded Firms

The contract was awarded on the basis of Frame Work Contracting where goods and services are procured on need basis to four (4) firms

An evaluation of the Confidential Business Questionnaire reveals that two (2) firms share physical address at 5th Avenue Office Suite located on plot number 209/2/2 on Ngong Road.

A further analysis shows that Kshs 259,759,500 00 or 70% of the total expenditure incurred on these items amounting to Kshs 370,879,500 00 has been paid to the two related companies

244.3 Loss of Kshs.113,234,000.00

Audit has further revealed a loss of Kshs.113,234,000 00 resulting from the purchase of the items from the two (2) related companies instead of the lowest evaluated bidder

244.4 Use of Expired Contracts

Audit has also revealed that contracts used expired on 30 June 2014 contrary to PPOA Circular Number 6/2010 on guidelines for frame work contracting which requires that they should not exceed two years.

There is an indication that the procurement process was not fair, equitable, transparent, competitive and cost effective as required by Article 227(1) of the Constitution of Kenya, (2010)

245. Human Resource Records

245.1 The financial statements under summary statement of receipts and payments reflect under compensation of employees an amount totaling Kshs.54,500,751,000.00 which differs with the payroll summaries obtained from IPPD system for State Department for Interior that reflect expenditure totaling Kshs 50,252,055,914.70 incurred on salaries and other allowances during the year under review, with a resulting difference of Kshs 4,248,695,523 30

245.2 Records maintained at National Police Service (NPS) Headquarters indicate that the National Police Service Commission in a letter dated 1 September 2015 directed the Inspector General of Police to effect promotion of sixty four (64) civilian staff serving in the Ministry of Interior and Coordination of National Government contrary to provisions of Paragraph 15 and 16 of the Treasury circular letter Ref No 8/2015 dated 10 June 2015

245.3 Information available indicates that the Commission has to date not issued terms & conditions and Scheme of Service for civilian staff at National Police Service. It is therefore, evident that the use of Public Service terms and scheme instead of National Police Service Commission's terms and conditions were utilized without authorization of Principal Secretary contrary to Section E 4 (1) and (2) of the Code of Regulations (2006)

Further, the above vacant posts were not advertised for interested staff to apply, appraised, interviewed and promoted as required under Section E 26 and E 27 (1) and (2) of the Code of Regulations (2006). In addition, there was no budgetary provision for the promotion of sixty four (64) members of staff in the Ministry's budget. Consequently, the transparency, fairness and equity in these promotions could not be ascertained.

246. Accountability of Visa Stickers and Passports

246.1 Visa Stickers

Examination of registers maintained at Department of Immigration show that Visa Stickers worth Kshs 2,728,302,000.00 were issued to the Ministry of Foreign Affairs and International Trade during the financial 2013/2014 and 2014/2015. It was observed that 39,900 blank passports valued at Kshs 202,500,000.00 were issued to five (5) consulate missions and 13,872 printed passports valued at Kshs 65,988,000.00 to foreign missions/embassies. In these circumstances, total revenue collected excluding certificate of good conduct, Identity cards and others of Ksh 2,996,790,000.00 differs with the Kshs 1,524,300,362.00 reflected in the financial statements for 2013/2014 and 2014/2015. The resultant difference of Kshs 1,472,489,638.00, a loss has not been accounted for.

246.2 Passports

Audit inspection of selected Kenya missions/embassies in the financial year 2014/2015 that included Washington DC, London, Berlin and Pretoria revealed that several blank passports were issued directly to the missions by the Department of Immigration. However, the passports were not recorded at the missions/embassies Counter Receipt Book Registers and also not produced for physical audit verification as required under Section 118(2) of Public Finance Management Regulations 2015. Subsequently, the existence of these passports valued at Kshs 133,052,500.00 as detailed could not be confirmed -

Mission	Amount (Kshs.)
Washington DC	19,500,000 00
London	93,000,000 00
Berlin	8,242,500 00
Pretoria	<u>12,810,000 00</u>
	<u>133,052,500.00</u>

In view of the foregoing together with explanation submitted by Immigration department that visa stickers and passports are not included in Public Finance Regulations as accountable documents, it is not possible to confirm that their use is lawful and effective as required in Article 229 (6) of the Constitution of Kenya (2010).

247. Purchase of Land and Houses for General Service Unit

As reported in paragraph 77 of the audit report for the financial year ended 30 June 2014, attention was drawn to the irregular purchase of land and houses for General Service Unit in which the Ministry paid Kshs 1,200,000,000.00 out of Kshs 2,400,000,000 00 in regard to Civil Case Number NRB HCC 617 of 2012 through Legal Dues, Arbitration and Compensation. It was noted that the Ministry, in the year under review, further paid an additional Kshs.600,000,000.00 on 25 March 2015. No justification has been provided for this irregularity

248. Loss of Kshs.14,004,600.00 through Irregular Training of Pilots

Examination of records maintained at Kenya Police Service shows that the office of the Inspector General of Police entered into a contract to organise training known as 4x ab initial to commercial helicopter pilots with M/s Acariza Aviation Limited (Contract No SL/CPL(H)/KPAW/0614) at a sum of Kshs 75,627,483 70

Further, Kenya Police Service Training Committee (KPSTC) approved that four (4) police officers were to be trained as helicopter pilots at Starlite School (South Africa)

However, in unclear circumstances, an officer who was approved by Kenya Police Service Training Committee (KPSTC) to train as fixed wing pilot at Ninety Nine Flying School was irregularly included among helicopter trainees scheduled to join Starlite School (South Africa)

Further, an examination of final suspension report dated 11 May 2015 show that the officer was suspended from the training school due to the following reasons -

- (i) The student experiences disorientation during transitions and climbing turns
- (ii) Her hovering is improving but not safe
- (iii) When going through transition from hover to forward flight, she either climbs or dives toward the ground

- (iv) During climbing turns, she enters a spiral drive to the left, which eventually is noticed and recovered at +/- 150 feet Above Ground Level (AGL)
- (v) The student's approach to landing is dangerous, with high rate of decent and forward speed, until the instructor has to recover before ground impact

Records availed for audit further show that Kshs 14,004,600.00 had been incurred on the trainee at the time of her suspension, resulting in a nugatory payment which has not been recovered or explained

In addition, examination of the Office of the Inspector General's response Ref. No. SEC POL 1/5/10/1/VOL X/145 dated 7 June 2016 shows that the four (4) officers who were nominated and approved to be trained as helicopter pilots were replaced with four (4) other officers whose training cost amounted to Kshs 75,627,483 70 paid through voucher No 124 dated 1 September 2014. No justification has been provided for the change

In a due diligence check M/s Acariza Aviation Limited is not registered by Kenya Civil Aviation Authority to offer aviation training services in Kenya.

249. Unaccounted Fuel at Embu West

Examination of records maintained at various counties revealed that payments amounting to Kshs 1,002,887 00 were made to various suppliers for purchase of fuel during the financial year 2014/2015 as follows. -

County	Amount (Kshs.)
OCPD Embu West	643,957 00
DCIO Embu West	<u>358,930 00</u>
	<u>1,002,887.00</u>

However, updated fuel registers in support of Kshs 1,002,887.00 were not made available for audit review to show how the fuel was drawn and utilised. Consequently, the propriety of the expenditure of Kshs 1,002,887.00 could not be ascertained

Further, the odometer for motor vehicle registration number GK A623A was faulty for the period under review. It was therefore, not possible to ascertain the total distance covered by the vehicle and whether it was economical to use

250. Irregular Procurement of Materials for Construction and Rehabilitation of Non-Residential and Residential Buildings

Examination of payment vouchers at Narok North District Treasury revealed that temporary imprest totalling Kshs 5,487,750 00 were issued to officers and spent on construction of Narok County Police Administration block and renovation of Narok County Police Commander's residential house number NAROK/HOUSE/HG4.

Documentary evidence presented for audit revealed that the engineer's estimates for the construction of the administration block and renovation of residential houses were Kshs 3,483,143.60 and Kshs 1,857,160.00 respectively, all totalling Kshs.5,340,303 60

However, the following observations were made -

- (i) The architectural design and plan for the administration block was not done making it difficult to establish how the engineer's estimates were developed by the county works officer – Narok
- (ii) The construction works were not sourced competitively as it was observed that two (2) officers were issued with imprests which they used to purchase building materials and labour. The single sourcing of materials did not comply with the provisions of Section 74 of the Public Procurement and Disposal Act, 2005 which sets the conditions under which direct sourcing may be allowed
- (iii) The imprest holders were also solely involved in ordering and receiving of building materials as evidenced by forms S13 attached to the payment vouchers in total disregard of the role of inspection and acceptance committee. The quality and quantity of the building materials were not independently verified before receiving and subsequently paying for the materials
- (iv) The building materials and labour were sourced from suppliers who were not prequalified for the financial year 2014/2015 contracts in unexplained circumstances. There was no evidence of adequate supervision of the construction works in form of site minutes, materials and measurement of works by the county works officer
- (v) A site visit conducted on 28 October 2015 revealed that some works were done and the buildings were in use. However, final measurements of works from the county works officer were not done and therefore, it was not possible to determine the value of works done

In the absence of a proper procurement process, supervision and measurement of works it is not possible to confirm authorisation and value for money in an expenditure totalling Kshs.5,487,750 00 incurred on construction and rehabilitation of non-residential and residential buildings as required by Section 68 (1) of the Public Finance Management Act, 2012

251. Pending Bills

Information and records availed indicate that pending bills totalling Kshs 5,070,255,153 07 as shown were not settled in the year that they relate to but were instead carried forward to year 2015 / 2016

<u>Financial Year</u>	<u>Amount (Kshs.)</u>
2012/2013	1,720,959,324.75
2013/2014	2,641,689,049.85
2014/2015	5,070,255,153.07

The Kshs 5,070,255,153.07 pending bills for the year under review differs with the supporting schedules and documentation. Kshs 4,828,392,000.00 reflected in the financial statement and under note 26.1 by an unexplained and unreconciled difference of Kshs 241,863,153.07.

Had these bills been paid and expenditure charged to the accounts for the current year, the statement of receipts and payments for the year ended 30 June 2015 would have reflected an excess vote (deficit) of Kshs 4,810,136,153.00 instead of the surplus of Kshs.260,119,000.00 now shown

Failure to settle bills during the year to which they relate distorts the financial statements for the year and adversely affects the budgetary provision for the subsequent year to which they have to be charged. No justification has been provided by the Accounting Officer for failure to pay bills in the year that they relate to

252. Inaccuracy of the Financial Statements

The statement of assets as at 30 June 2015, includes unvouched and unsupported prior year adjustments figure of Kshs (876,675,000.00) under the funds balance adjustments. Consequently, the accuracy and validity of the net financial position of Kshs 2,032,899,000.00 as reflected in these financial statements could not be confirmed

GOVERNMENT PRESS FUND

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

KENYA CITIZENS AND FOREIGN NATIONALS MANAGEMENT SERVICE

Other Matter

253. Information available indicates that the Acting Director General was paid a sum of Kshs 6,735,000.00 contrary to Cabinet Secretary's letter Ref CONF/MOICNG/CS/VOL.1 dated 3 June 2014 that required terms and conditions of engaging Acting Director General be determined in consultation with Salaries and Remuneration Commission. In addition, no justification has been made for failure to competitively recruit and recommend an appointment of the Director General / Chief Executive Officer in accordance with Section 13(1) and (2) of the Kenya Citizens and Foreign Nationals Management Act, 2011.

In the circumstances, it is not possible to confirm that the payment of Kshs.6,735,000.00 was lawful and authorized as required by Section 68(1)(a) of the Public Finance Management Act, 2012.

254. The service has not undertaken its functions to discharge its mandate fully as stipulated in Section 4(2)V of the Kenya Citizens and Foreign Nationals Management Service Act Cap 174, Laws of Kenya due to the failure of State Corporations Advisory Committee (SCAC) to categorize it.

Arising from the above, the KCFNMS Board has not appointed a substantive Director General/Chief Executive Officer and the proposed organization and pay structure cannot be approved by the Salaries and Remuneration Commission.

My opinion is not qualified in respect to these matters.

STATE DEPARTMENT OF INTERIOR - REVENUE STATEMENT

Basis for Qualified Opinion

255. Un-surrendered Revenue

Information and documentation available indicates that the State Department of Interior received revenue totalling Kshs.8,511,806,825.30 from eight (8) sub-collectors of revenue, that was surrendered to the State Department's headquarters. However, the Revenue Statement as at 30 June 2015 reflects actual revenue surrendered to the exchequer of Kshs.8,426,227,232.00, resulting in an unexplained and unaccountable difference of Kshs.85,579,593.30.

256. Un-receipted Revenue

Revenue records maintained at the Rapid Deployment Unit (RDU) indicate revenue amounting to Kshs.3,669,650.00 as having been collected under the hire of Security Services. No documentary evidence has been availed to confirm receipt and accountability of this revenue as required by Section 6.7.1 and 23.6.7 of the Government Financial Regulations and Procedures. No justification has been provided for this irregularity.

NATIONAL COHESION AND INTEGRATION COMMISSION

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

MINISTRY OF INTERIOR AND COORDINATION OF NATIONAL GOVERNMENT

STATE DEPARTMENT FOR COORDINATION OF NATIONAL GOVERNMENT

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Basis for Disclaimer of Opinion

257. Unaccounted for Revenue

As reported in the previous year's audit report, the Prisons Industries and Farms Funds had a closing account balance of Kshs 175,987,430 51 as at 30 June 2013 that was held in the former Vice President and Ministry of Home Affairs deposit account.

The former Vice President and Ministry of Home Affairs operations were merged during the year 2013/2014, into the Ministry of Interior and Coordination of National Government and amounts totaling Kshs 173,970,762 35 were collected between 1 July 2013 and 3 October 2013 when a separate but combined account was opened for the Fund. In the circumstances, these two amounts totaling Kshs 349,958,192 86 ought to have been deposited in the new bank account. Information and records available indicate that only Kshs.118,725,674 40 was deposited resulting in a Kshs 231,232,518 50 loss of public funds that has not been accounted for. No justification by management has been made for this irregularity.

258. Biogas Project at Kenya Prisons Service

As reported in the previous year's audit report the Kenya Prisons Services had initiated biogas projects in fourteen (14) prisons across the country at an estimated cost of Kshs.122,129,538.00 out of which, expenditure totalling Kshs 95,758,296 00 had been incurred. The following irregularities were observed in the year under review: -

- (i) Out of the fourteen (14) Biogas projects, only four projects are partially operational at Embu Main, Embu Women, Kisumu Main and Kitui Main Prisons while the rest are either incomplete or not operational
- (ii) The biogas plant at Nairobi Remand is not operational yet the contractor who has since abandoned the site was fully paid amounts totaling Kshs 7,500,724.00
- (iii) Although the management indicated that it formed a task force that was to evaluate and submit a status report on the bio gas plants, the same has not been available for audit review

- (iv) A sum of Kshs.46,481,255.00 or 93% of the contract sum has so far been paid on four (4) Biogas plants contracted to private companies as follows: -

Prison	Contract Sum Kshs.	Amount Paid Kshs.
Nairobi Remand and allocation	7,500,724.00	7,500,724.00
Shimo La Tewa Main	11,528,602.00	11,528,602.00
Kibos Main	11,900,000.00	8,150,000.00
Kamiti Main	19,301,929.00	19,301,929.00
Totals	<u>50,231,255.00</u>	<u>46,481,255.00</u>

None of these projects at the time of the audit was operational.

Under the circumstances, it is not possible to confirm that Kshs.95,758,296.00 so far spent on all the fourteen (14) biogas plants was lawful and effective as required by Article 229(6) of the Constitution of Kenya, 2010.

259. Outstanding Imprests

The statement of financial position as at 30 June 2015 reflects under accounts receivables, imprests amounts totaling Kshs.2,896,655,400.00 which differ with the trial balance figure of Kshs.10,740,300.00. The difference of Kshs.2,885,915,100.00 between the two sets of records has not been reconciled. Management has indicated that the difference is due to erroneous postings by the IFMIS system.

Imprest registers maintained by the department reflect an outstanding imprest balance of Kshs.3,321,600.00, that ought to have been recovered or accounted for on or before 30 June 2015.

No reasons have, however, been provided for failure to surrender or account for the imprests as required by section 93 (5),(6) and (7) of the Public Finance Management Regulations, 2015 which requires a holder of imprest to account or surrender imprest within seven (7) working days after return to duty station.

In addition, the accounting officer has not recovered the outstanding imprest from the defaulting officers' salaries with interest, thus in breach of the Public Finance Management Regulations, 2015 on imprests.

260. Utilities Supplies and Services

260.1 Electricity

Examination of payments made to Kenya Power revealed that the department is paying huge sums of money on electricity bills including a single one paid on 27 November, 2014, of Kshs.167,499,749. This is included in the utilities supplies and services total figure of Kshs.655,069,700 in the year. Examination of schedules of electricity meter

serial numbers used revealed that some of the meter numbers do not clearly indicate the location or description of the premises

Further, the department is paying electricity bills for canteens operated by welfares and workshops for the Prison Industry which are profit making ventures, and their operating costs are separate from Prisons departments.

An audit inspection of Nairobi Remand Prison, Industrial Area, revealed that there are loose power connections in the staff quarters posing risks to staff and their families Management has not provided justification for these anomalies

260.2 Water

Examination of payment records pertaining to water bills revealed that a total of Kshs 165,970,236 40 was paid to various water bodies across the country for water supplied to Penal Institutions

Although, some stations accrued high water bills, the Ministry had mitigated the water problems by sinking boreholes to supplement the water supply as follows -

Summary of Boreholes Drilled at the Stations 2014/15					
No.	Station	Estimated cost	Cost Incurred as at June 2015	Balance	Water bills paid in 2014/15
1	Kitui	3,000,000.00	1,500,000.00	1,500,000 00	734,440 00
2	Nyahururu prison	9,505,576 00	4,594,601 00	4,910,975.00	2,381,511.00
3	Kajiado prison	8,512,209 00	6,802,166 00	1,710,043 00	6,701,060 00
4	Hola prison	9,527,704.00	4,749,855 00	4,777,849 00	174,200 00
5	Taveta prison	10,382,328 00	8,169,285 00	2,213,043 00	2,051,760 00
	Total	40,927,817.00	25,815,907.00	15,111,910.00	12,042,971.00

In the circumstances, it is not possible to confirm that the Department has obtained value for Kshs 25,815,907 00 incurred in sinking of the boreholes to supplement water supply when water bills are totaling Kshs.12,042,971.00

261. Over Pricing of Stores Resulting in Loss of Kshs.62,512,859.00

As reported in the previous year's audit report, during the year under review, the Kenya Prisons Service procured goods from suppliers at prices stipulated in the tender but a market survey done and a comparison with known market prices shows that the quoted prices were far much higher and above the prevailing market prices resulting in an approximate loss of Kshs 62,512,859.00, contrary to Section 30 (3) of the Public

Procurement and Disposal Act, 2005; and Section 8(3) (z) of Public Procurement and Disposal Regulations, 2006 which states that a procuring entity shall carry out periodic market survey to inform the placing of orders or adjudication by the relevant award Committee and Section 10(2) (e) of Public Procurement and Disposal Regulations, 2006 which requires that a procuring entity should not pay in excess of the prevailing market price.

262. Pending Bills

Records maintained at various GK Prisons indicated that bills totaling Kshs.2,143,639,500.00 relating to 2014/2015 and earlier years were not settled during the financial year, but were instead carried forward to 2015/2016 financial year. A comparison of pending bills from four stations revealed variations with balances reflected in the financial statements as indicated:

STATION	AMOUNT AS PER FINANCIAL STATEMENTS (KSHS)	AMOUNT REPORTED FROM THE STATION (KSHS)	DIFFERENCE (KSHS)
Eldoret Main Prison	21,901,775.00	113,881,199.00	91,979,424.00
Kitale Main Prison	1,657,740.00	22,544,880.00	20,887,140.00
Kitale Annexe Prison	1,638,700.00	8,362,234.70	6,723,534.70
Ngeria Prison	3,055,433.00	14,925,162.00	11,869,729.00

From the above analysis the correctness of the pending bills amounting to Kshs.2,143,639,500 disclosed in the financial statements could not be ascertained.

Had the bills been paid and expenditure charged to the accounts for 2014/2015, the statement of receipts and payments would have recorded a net deficit of Kshs.2,143,573,263.40 instead of the Kshs.66,123,600 net surplus now shown. Failure to settle bills in the year to which they relate adversely affects the subsequent years' provision to which they have to be charged.

263. Inaccuracies of Accounts

The net assets balance of Kshs.1,585,070,000 differs with the net financial position figure of Kshs.66,123,600 by unexplained and unreconciled figure of Kshs.1,518,946,700.

264. Suspense Account Balances – Kshs.2,479,883,300.00

The trial balance reflects a Kshs.2,479,883,300.00 general and district suspense accounts balance, which has not been incorporated in these financial statements. This amount has not been supported with an analysis and documentation.

265. Bank Balances

The statement of financial position reflects a bank balance of Kshs 18,467,420,200 which differs with the cashbook's total bank balance of Kshs.11,300,359 75 by unexplained and unreconciled difference of Kshs.18,456,119,840 25 as indicated

Type	Financial Statements	Cash Book/Board of Survey	Bank Statement
Development	550,127,100 00	1,676,668 10	32,918,475.35
Recurrent	17,920,732,900.00	37,046.85 00	32,819,475 35
Deposits	3,439,800 00	11,263,312 90	13,701,187 25
Total	18,474,299.80	11,300,359.75	48,803,835.60

266. Cash Balances

The statement of financial position reflects a cash balance of Kshs 8,540,500 which differs with the cashbook's total cash balance of Kshs.4,090,450 45 by unexplained and unreconciled difference of Kshs 4,450,049 55

267. Deposit and Retentions

The statement of assets reflects a balance of Kshs.19,787,545,800 00 in respect of deposits and retentions which differs with the trial balance amount of Kshs 490,893,600.00 by unsupported, unexplained and unreconciled difference of Kshs 19, 296, 652, 200 00

PRISONS FARM REVOLVING FUND

Basis for Adverse Opinion

268. Debtors

The statement of financial position as at 30 June 2015 reflects a debtors balance of Kshs 189,490,028 00 which has been explained as debts for food ration supplied to the Commissioner General of Prisons No reasons have been given by the Commissioner General for failure to collect the huge outstanding debt

269. Suspense Account

The financial statements reflect a Kshs 15,639,561 44 as Suspense Account figure brought forward from the previous year which has not been supported with documentation and analysis Consequently, the accuracy, validity and completeness of the Kshs 15,639,561 44 could not be confirmed

270. PMG Balance

The Fund did not prepare monthly bank reconciliation statements for the year under review hence it was not possible to ascertain whether all bank transactions and bank balances were fairly stated. Further, the Kshs.51,697,291.80 PMG balance was not supported with a bank certificate. Consequently, it is not possible to confirm the accuracy of the cash and bank balances.

Other Matter

271. Internal Control

The Fund has a weak internal control system in place and irregularities or errors may have occurred which could not have been detected. My opinion is not qualified in respect of this matter.

PRISONS INDUSTRIES REVOLVING FUND

Basis for Disclaimer of Opinion

272. Debtors

Included in the statement for financial position debtors' figure of Kshs.44,448,964.08 as at 30 June 2015 are loans amounting to Kshs.5,819,720.75 due from the former Permanent Secretary Ministry of Home Affairs, District Commissioners, Officer Commanding Police Divisions, Commissioner of Police, National Youth Service, Military officers, Embu District Hospital and Commissioner of Prisons. Also included are old debts of Kshs.451,221.50 relating to old debts owed by private individuals some of whom have since passed on and Kshs.5,819,720.00 from government institutions with some dating back to the late nineties.

It is not clear how senior government officers were given goods on credit without valid contracts. It has not been possible to confirm if the Fund will be able to recover the amounts advanced. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements.

273. Suspense Account

There was no documentary evidence availed to support the Kshs.3,966,131.10 Suspense Account (2013 / 2014 Kshs.23,965,577.08) which is explained under note 10 to the financial statements as balancing figures where accounts were not in agreement.

274. Creditors Account

The financial statements reflect Kshs.61,137,546.00 against creditors which increased from the opening balance of Kshs.51,229,625.00 by Kshs.9,907,921.00. No explanation

has been given for failure to pay creditors despite the fund reflecting huge bank balances

275. PMG Balance

The comprehensive statement of financial position as at 30 June 2015, reflects a PMG balance of Kshs.151,321,358 13 which differs with the board of survey report balance of Kshs 57,823,442 30 by an unexplained difference of Kshs 93,497,915 83. In addition, the bank certificate in support of the balance was not availed for audit review.

The Fund did not prepare monthly bank reconciliation statements for the whole year and hence, it was not possible to ascertain whether all bank transactions and PMG balances during the year under review were fairly stated

276. Internal Control and Books of Account

The Fund has a weak internal control system in place and irregularities or errors may have occurred which could not have been detected and corrected. The Fund also has been operating during the year without maintaining proper books of account as required by the Public Audit Act, 2003. This made it impossible to establish and verify the sums of money received and expenditure incurred on account of the funds and the assets and liabilities of the fund for the period ended 30 June 2015.

277. Non-maintenance of Fixed Assets Register

The statement of financial position as at 30 June 2015 reflects a fixed assets balance of Kshs 94,625,147.29 which includes machinery worth Kshs.73,559,400 12 and Kshs 2,926,440 00 of scrap machinery, most of which have since become obsolete. The management of the Fund did not maintain a fixed assets register. Consequently, it was not possible to confirm whether all fixed assets as reported in the statement of financial position physically existed or were correctly valued.

REVENUE STATEMENT - STATE DEPARTMENT FOR COORDINATION OF NATIONAL GOVERNMENT

Basis for Adverse Opinion

278. Late Submission of Statement of Revenue

The Statement of Revenue of the State Department for Coordination of National Government for the year ended 30 June 2015 was submitted for audit one and a half (1½) months late on 19 November 2015 contrary to Section 4 (4) of the Public Audit Act, 2003 which required the department to prepare and submit the revenue statement for audit by 30 September 2015.

279. Cash and Cash Equivalents

The statement of revenue reflects an amount of Kshs.188,350,568.00 that has not been transferred or surrendered to the exchequer. Information available indicates that this amount as at 30 June 2015 was held in three bank accounts as detailed: -

Bank	Account No.	Amount (Kshs.)
Kenya Commercial Bank	1119438373	38,976,401.00
Kenya Commercial Bank	1119759730	44,009,626.00
Central Bank of Kenya	1000209593	105,364,540.00
Total		188,350,568.00

The department has not availed documentary evidence in form of bank certificates, bank statements and bank reconciliation statements to support the above balance. Under the circumstance, accuracy of the revenue statement of the State Department for Coordination of National Government could not be confirmed.

280. Books of Account

The Department has a weak internal control system in place and irregularities or errors may have occurred which could not have been detected and corrected. In particular, the department did not maintain Cashbooks, ledgers or prepare Trial Balances to support the Revenue Statement. Consequently, the accuracy of the revenue statement could not be confirmed.

MINISTRY OF DEVOLUTION AND PLANNING

STATE DEPARTMENT OF PLANNING

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Basis for Disclaimer of Opinion

281. Prior Year Unresolved Audit Issues

281.1 Comparative figures for 2012/13

As reported in the previous year, the Ministry has still not provided summary by item to support the comparative figures for the previous years. Further, the Ministry has not resolved all issues that were raised in the previous Auditor-General's report for the financial year ending 30 June 2014 as indicated below,

281.2 Variances between Actual and Budget Figures

Under Head – 103005300 Planning and Development – Headquarters, the Ministry spent Kshs 1,964,426,798 00 as transfer to other Government Units which had not been budgeted for. The Ministry, therefore, did not adhere to the budgetary provisions and no explanations and mitigating measures were provided.

281.3 Incomplete Construction Project

The Ministry awarded a tender for the Construction of proposed flats at National Youth Service Vocational Training Institute-Industrial Area at an estimated cost of Kshs 49,105,721.10. The contract between the Ministry and the contractor was signed on 22 February 2013 and was estimated to take 52 weeks from 08 April 2013 to 07 April 2014. The Contractor was paid certificate No 1 for Kshs 7,111,432.26. Physical verification carried out on 17 February 2015 showed that the work was abandoned at foundation level. Information on site meetings or other management meetings were not provided for audit. This Project therefore appears to have stalled.

281.4 Unconfirmed Transfer to Other Government Entities

The financial statements of the Ministry reflect recurrent and development combined transfer to other Government entities of Kshs 2,871,368,369.00 which was not budgeted for. This amount includes Kshs 2,151,010,210 reflected in the financial statements as transfer to Ministry of Lands, Housing and Urban Development which has not been supported. Consequently, the accuracy of figure could not be confirmed.

282. Variance In Disbursements to Semi-Autonomous Government Agencies (SAGAS)

The Ministry disbursed Kshs 1,106,836,773 to six SAGAS. However, the recipient Agencies recorded Kshs 839,974,582.20 leaving a variance of Kshs 266,862,190 as follows.

Under Received Entity	Amount Disbursed by Ministry (Kshs.)	Amount Received by Entity (Kshs.)	Under (Kshs.)
Anti FGM Board	38,783,380.00	28,987,486.20	9,795,893.00
National Youth Council	31,317,420.00	14,792,895.00	16,524,525.00
NEPAD Kenya Secretariat	297,082,173.00	220,155,401.00	76,926,772.00
President's Award Scheme	19,829,000.00	0	19,829,000.00
Uwezo Fund	390,000,000.00	342,500,000.00	47,500,000.00
Youth Enterprise Development Fund	329,824,800.00	233,538,800.00	96,286,000.00
Total	1,106,836,773.00	839,974,582.20	266,862,190.00

Two (2) entities appear to have over-received disbursements as follows

Over Received			(Kshs.)
NGO Coordination Board	136,487,500.00	178,478,500.00	(41,991,000.00)
Women Enterprise Fund	130,572,500.00	168,912,500.00	(38,340,000.00)
Total	353,415,478.00	640,020,219.00	(80,331,000.00)

Consequently, it was not possible to confirm the accuracy or validity of the Kshs 36,779,590,636 disbursements to Government entities

283. Unsurrendered Imprest

The financial statements as at 30 June 2015 and as disclosed under note 16 reflect unsurrendered imprests totalling Kshs 6,479,671. Some of the imprests have been outstanding for over six months and some employees were issued with more than one imprest prior to surrendering the previously issued imprests contrary to Public Financial Management Act, 2012 and prevailing financial regulations

284. Cash and Cash Equivalents

As reflected under note 14 to the financial statements, the deposits bank reconciliation statement reflects a cash book bank balance of Kshs 173,247,962 and receipts in bank statements not in cash book amounting Kshs 7,467,757. Also the recurrent bank reconciliation statement reflects amounts totalling Kshs 93,951.40 as receipts in the bank statements not in the cash book. Similarly, the development statements reflect receipts in bank of Kshs 5,596,290 not in cash book and payments of Kshs 10,254,055.50 in bank not in cash book. In consequence, the cash books had not been updated

285. Acquisition of Assets

The Kshs 11,408,248 expenditure on acquisition of assets and as detailed under note 13 to the financial statements has not been supported with information and documentary evidence including procurement tender documents. The Department explained that the documents were with investigating agencies dealing with fraud at the Department and as a result it has not been possible to confirm the adequacy of the procurement procedures and control in relation to all the procurements.

In view of the foregoing, the propriety of the Kshs 11,408,248,185 expenditure could not be confirmed and it is doubtful that the government got value for money for this expenditure.

286. Pending Bills

Records maintained by the State Department of Planning indicates that bills totalling Kshs.7,261,076,350 were not settled during the year 2014/2015 but were instead carried forward to 2015/2016. Had the bills been paid and the expenditure charged to the account for 2014/2015, the statement of receipts and payments for the year would have reflected an increased deficit of Kshs 7,473,895,922 instead of Kshs.212,819,572 now shown.

Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provisions of the subsequent year to which they have to be charged.

Other Matter

287. Unrecovered Loans in Mt. Elgon Sub-County – Uwezo Fund

Information and records available indicates the Mt. Elgon Sub-County was allocated and disbursed funds totaling Kshs.21,265,000 to be distributed to various youth groups. These funds are expected to attract interests and be recovered on a monthly basis. However, Kshs.1,772,083.33 which was due as at 30 June 2015 remained unrecovered and no justification has been provided for this anomaly.

288. Budget and Budgetary Controls

The Department did not adhere to the approved budget in some expenditure items during the year, hence an under expenditure of Kshs 9,616,658,628. Although the accounting officer has explained that the reason for the under expenditure was due to delays in the release of the exchequer by the National Treasury, there is no indication as to the measures put in place to address the underlying causes of the under-expenditures.

Variations between Actual and Budget Figures

Item	Actual (Kshs)	Budget (Kshs)	Variance (Kshs)	% Variance
Utilities, Supplies and Services	136,687,678	199,243,525	62,555,847	31.40%
Communication, Supplies and Services	73,865,639	103,411,803	29,546,164	28.57%
Domestic travel and subsistence and other transportation costs	232,491,890	302,411,803	69,919,913	23.12%
Foreign Travel and subsistence and other Transportation costs	54,777,559	85,180,800	30,403,241	35.69%
Printing, advertising and information supplies and services	99,564,581	150,173,563	50,608,982	33.70%
Fuel Oil and lubricants	806,861,140	2,167,666,184	1,360,805,044	62.78%
Rentals of produced assets	1,158,110,670	2,207,235,042	1,049,124,372	47.53%
Insurance costs	37,903,272	87,562,538	49,659,266	56.71%
Training expenses	328,170,200	496,332,821	168,162,621	33.88%
Acquisition of Assets	11,408,248,185	16,231,981,934	4,823,733,749	29.71
Specialized Materials and supplies	2,179,594,327	3,245,291,903	1,065,697,576	32.84%
Office and General supplies and services	170,086,634	311,231,344	141,144,710	45.35%
Other Operating expenses	567,937,229	858,446,644	290,509,415	33.84%
Routine maintenance vehicles	41,666,756	70,465,347	28,798,591	40.87%
Routine Maintenance – Other assets	257,358,100	441,737,745	184,379,645	41.74%
Hospitality supplies and services	1,074,669,411	1,286,278,909	211,609,498	16.45%
Total			9,616,658,628	

289. Weak Internal Control

The Ministry has a weak internal control system in place and irregularities or errors may have occurred which may not have been detected and corrected on a timely basis.

My opinion is not qualified in respect of these matters.

DONOR FUNDED PROJECTS

CAPACITY DEVELOPMENT PROGRAMME (CDP) PROJECT NO.P-KE-IZO-001 GRANT NO.2100150015794

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

REPORT ON OTHER LEGAL AND REGULARITY REQUIREMENTS

Further, and as required by the Public Audit Act, 2003 and the Bank, I confirm that -

- i. Proper accounting records have been kept,
- ii. The financial statements are in agreement with the accounting records,
- iii. All Sweden funds have been used in accordance with the Grant agreement, with due attention to economy and efficiency, and only for the purposes for which the funding of the Capacity Development Programme (CDP) was provided,
- iv. Goods and services financed during the year were procured in accordance with the terms and conditions of the Grant Agreement and in accordance with the Funds' rules and procedures;
- v. All supporting documentation, records and accounts have been maintained in respect of the Projects activities, including expenditure incurred and,
- vi. Adequate internal controls to monitor expenditure and other financial transactions exist

COMMUNITY EMPOWERMENT AND INSTITUTIONAL SUPPORT PROJECT (CEISP) P-KE-IZO-001

Basis for Qualified Opinion

290. Stolen Vehicle – GKA 661Y

As previously reported, a motor vehicle registration No GKA 661Y (White) Isuzu D Max valued at Kshs 1,611,200 00 was stolen on 8 April 2013 through violent robbery. However, Ministry has not provided progress report on the loss of the motor vehicle.

291. Unsupported Payments

The acquisition of assets figure of Kshs.479,344,787 as reflected under Note 8.6 to the financial statements includes payments totalling to Kshs.4,656,350.50 in respect to buildings construction that are not supported with the relevant documentary evidence.

KENYA YOUTH EMPOWERMENT PROJECT (KYEP) – COMPONENT 3 (IDA CREDIT NO.4697-KE)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

MINISTRY OF DEVOLUTION AND PLANNING

STATE DEPARTMENT FOR DEVOLUTION

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Basis for Qualified Opinion

292. Pending Bills

The State Department for Devolution as at 30 June 2015, reported pending bills amounting to Kshs 3,028,638,103. The Department did not provide measures to be taken on how to clear these bills. Further, had the bills been paid and the expenditure charged to the accounts for 2014/2015 the statement of receipts and payments for the year would have reflected an excess vote (deficit) of Kshs 2,929,909,333 instead of the surplus of Kshs 98,728,770 now shown. Failure to settle pending bills during the year to which they relate distorts the financial statements for the year and adversely affects the provisions of the subsequent year to which they have to be charged.

293. Outstanding Imprests – Staff Imprests

As reflected in the financial statements as at 30 June 2015, and as disclosed under note 12 to the financial statements, is an outstanding staff imprest of Kshs 2,369,962.00 which ought to have been cleared or surrendered on or before 30 June 2015. Some of the employees have been issued with more than one imprest, while other imprests have been outstanding since 2011, 2009 and 2008. As at the time of audit The State Department of Devolution had not recovered the same. This is contrary to financial regulations in place.

294. Cash and Cash Equivalents

The deposits bank reconciliation statement as at 30 June 2015 reflects receipts in bank statements not in cash book of Kshs 767,624.05. Similarly, the recurrent bank reconciliation reflects receipts in bank and not in cash book of Kshs 129,524.90 and payments in bank not in cash book of Kshs 1,129,129,031.00. Some of these payments were for periods over six months. No reason has been provided for failure to update the cashbook with these reconciling amounts.

Consequently the accuracy of the cash & cash equivalents balance of Kshs 300,296,693 could not be confirmed.

Emphasis of Matter

295. Other Capital Grants and Transfers

I draw attention to note 7 to the financial statements. An amount of Kshs.2,302,761,682 in respect of other capital grants and transfers could not be confirmed due to the implementing agencies not submitting returns of expenditure and receipts from donor funds that were not captured in IFMIS

My opinion is not qualified in respect of this matter

296. Unfunded Authority to Incur Expenditure (AIE) Kshs.24,854,629.00

During the year the project received four Authorities to Incur Expenditure (AIEs) totaling Kshs 144,427,629 00. However the bank statement made available reflect an amount of Kshs 119,573,000 00 leaving a difference of Kshs 24,854,629 00 unfunded. The project might not meet its budgetary target due to underfunding.

My opinion is not qualified in respect of this matter

NATIONAL HUMANITARIAN FUND

Basis for Qualified Opinion

297. Cash and Cash Equivalents

297.1 As reported in the previous year, the receivables imprest and advances balance of Kshs 998,552,086 38 as at 30 June 2015 includes Kshs 7,948,611 representing Authority to Incur Expenditure (AIEs) issued to various Government Agencies during the year. Consequently, any expenditure relating to the current year in respect of these AIEs have been excluded in these financial statements.

297.2 During the financial year 2014/2015 the repatriated Kenyan refugees in Uganda were paid Kshs 100,000 for households of up to three people and Kshs 150,000 for households of four people and more. As in the year 2013/2014 all the IDPs were paid a flat rate of Kshs 400,000. No satisfactory explanation has been provided for the variances in the payout rates to the refugees.

NATIONAL YOUTH SERVICE MECHANICAL AND TRANSPORT FUND (MTF)

Basis for Qualified Opinion

298. Non-Current Assets

As noted in the audit report for the financial year ended 30 June 2014, included in the statement of financial position total non-current assets figure of Kshs.6,882,968,557.90 as at 30 June 2015 is an amount of Kshs.4,247,422,517.84 relating to plant and heavy machinery. The fund has not revalued the plant and heavy machinery for financial reporting purposes since inception. This situation is indicative of significant impairment on some of the assets. Consequently, it is not possible to quantify the overall impairment that should be incorporated in the financial statements.

299. Current Assets

299.1 Domestic Debts

The Fund's statement of financial position under current assets reflects an amount of Kshs 350,117,961.75 described as domestic debts which includes a brought forward figure of Kshs 274,518,975.91, and an unsupported DG NYS (2013/2014) debt of Kshs 18,380,963.34. As previously reported, the brought forward figure includes an amount of Kshs 124,600,000.00 borrowed from the fund account at Kenya Commercial Bank, Moi Avenue by the Ministry of Devolution and Planning which has to date not been refunded. Information available indicates that there was no documented policy or authority given to borrow from the fund and no justification has been provided by the management as to why the outstanding balance of Kshs 350,117,961.75 has not been paid to date.

299.2 Commercial Debts

The statement of financial position reflects a commercial debt balance of Kshs 681,319,060.00 made up of the Tana Road Project debt of Kshs 667,518,449.35, which include a balance brought forward of Kshs.657,345,769.35 from prior years and other debts of Kshs 13,800,610.65 from prior periods. No explanation has been provided for the non clearance of the commercial debts of Kshs 681,319,060.00.

Any provision that would have been necessary in relation to these uncertainties has not been incorporated in these financial statements.

300. Fund Balance

The statement of financial position as at 30 June 2015, and as shown under note 5 to the financial statements is a balance of Kshs 8,223,004,981.35 which includes an unsupported prior year adjustment figure of Kshs 26,860,668.96. The accuracy and completeness of the fund balance of Kshs 8,223,004,981.51 could not be confirmed.

WOMEN ENTERPRISE FUND

Basis for Qualified Opinion

301. Receivables from Exchange Transactions

Included in the statement of financial position as at 30 June 2015 is a figure of Kshs.1,552,704,278 in respect of receivables from exchange transactions that includes non performing loans from financial intermediary partners figure of Kshs.92,577,000. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements.

Other Matter

302. Financial Performance

During the year, the Fund's financial performance continued to deteriorate as it made a loss of Kshs.80,429,401 (2013/2014 Kshs.121,546,694) which reduced its accumulated fund surplus from Kshs.697,753,923 to Kshs.617,324,522. The management has indicated that it is lobbying the National Treasury to get more money to meet the Fund's operations which has not been addressed to date. My opinion is not qualified in respect to this matter.

DONOR FUNDED PROJECTS

NATURAL RESOURCE MANAGEMENT PROGRAMME - (MEDIUM TERM ASAL PROGRAMME COMPONENT) - DANIDA NO.104.KEN.806-20-NBO

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

WESTERN KENYA COMMUNITY DRIVEN DEVELOPMENT AND FLOOD MITIGATION PROJECT IDA CREDIT NO.4278-KE

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

303. Acquisition of Non-financial Assets and Other Grants and Transfers and Payments

I draw attention to notes No.8.9 and 8.11 to the financial statements relates to payments of Kshs.815,899,392.29 and Kshs.724,648,182.80 in respect of acquisition of non-financial assets and other grants and transfers and payments respectively which

could not be verified due to limited resources. In the circumstances, it is not possible to confirm whether the expenditures were incurred for the intended purposes

My opinion is not qualified in respect of this matter

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

STATE DEPARTMENT OF EDUCATION

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Basis for Adverse Opinion

304. Unauthorized Expenditure

The statement of receipts and payments for the year ended 30 June 2015 reflects proceeds from domestic and foreign grants receipts of Kshs.1,521,514,353 which, according to note 2 to the financial statements are grants received from bilateral donors. Included in this figure are actual development proceeds under Head 0015 - Directorate of Basic Education and Head 0025 - Secondary and Tertiary Education Headquarters Administrative Services of Kshs.778,614,510 against respective approved budgetary provision of Kshs.770,000,000. This resulted in an excess expenditure of Kshs.8,614,510. No evidence of Treasury approval for the budgetary reallocations was availed for audit review. The Ministry was therefore in breach of Government Financial Regulations which require that all expenditure should be within the approved budget.

305. Compensation of Employees

The statement of receipts and payments reflects compensation of employees' figure of Kshs.3,249,040,298 which includes an amount of Kshs.3,168,540,763 in respect of salaries and allowances related to permanent employees. However, a review of the Ministry's accounting records and payroll expenditure as per budget heads indicates that Kshs.3,166,839,035.55 was utilized for the compensation of permanent employees. The resultant variance of Kshs.1,701,727.45 has not been reconciled.

Further, note 8 to the financial statements reflects an amount of Kshs.69,549,251 under basic wages of temporary employees. However, the Ministry's payments records availed for audit review reflected an amount of Kshs.32,908,000.00 resulting in a difference of Kshs.36,641,251.00 which has not been reconciled or explained. In the circumstances, it has not been possible to confirm the propriety of the expenditure totalling Kshs.38,342,978.45.

306. Inaccuracies in the Financial Statements

The statement of cash flows reflects the following opening balances which differ with the corresponding certified closing balances reflected in the restated financial statements for the year ended 30 June 2014 as follows:-

	2013/14	2014/15	
	Closing Balances	Opening Balance	Variance
Other revenues	2,075,206	2,531,996,54	2,529,921,342
Adjustments during the year	1,463,835,592	90,411,301	1,373,424,291
Receivables	0	22,346,487	22,346,487
Payables	0	57,680,191	57,680,191

In the circumstances, it has not been possible to ascertain the validity and accuracy of the financial statements.

307. Under-Collection of Appropriations In Aid

The statement of receipts and payments for the year ended 30 June 2015 reflects proceeds from domestic and foreign grants totalling Kshs 1,521,514,353 which include Appropriations-In-Aid totalling Kshs 111,514,353 under the Development Vote against approved estimates of Kshs 482,080,157 resulting in an under-collection of Kshs.370,565,804 or approximately 76.87%

308. Prior Year Adjustments

The statement of assets as at 30 June 2015 reflects prior year adjustments of Kshs 163,030,885 for the year under review. Further the same statement reflects prior year adjustment of Kshs.1,174,044,097 for the comparative year. No supporting documentation was availed for audit review. Consequently, it has not been possible to confirm the nature of the prior year adjustment balances of Kshs 163,030,885 and Kshs 1,174,044,097 reflected in these financial statements

309. Cash and Cash Equivalents

The statement of assets reflects cash and cash equivalents' balance of Kshs 87,312,630 as at 30 June 2015. However, the bank reconciliation statement for the recurrent account availed for audit review reflected payments in the cash book not yet recorded in the bank statement of Kshs 705,532.40. No satisfactory explanations were provided as to why these electronic payments were not cleared as at 30 June 2015 yet G-pay provides reconciliation reports on a daily basis. Consequently the accuracy and validity of the cash and cash equivalents' balance of Kshs.87,312,630 could not be ascertained.

310. Wasteful Expenditure

The statement of receipts and payments reflects a figure of Kshs.4,111,729,340 under the use of goods and services which includes an amount of Kshs.224,778 incurred in respect of repairs of motor vehicles GK A470F and GK A874A vide voucher numbers 2393 and 1230 dated 2 February 2015 and 6 November 2014 respectively. However, examination of motor vehicle records revealed that GK A470F was already grounded and GK A874A had already been disposed off. In view of the above, the propriety of expenditure totalling Kshs.224,778 could not be confirmed, hence it is a wasteful expenditure.

311. Repair of Nissan Patrol – GK A641G

The statement of receipts and payments reflects an amount of Kshs.4,111,729,340 under use of goods and services. The balance of Kshs.4,111,729,340 includes payment of Kshs.919,510 in favour of D. T. Dobie in respect of repairs for GK A641G. However, the Nissan Patrol GK A641G was not listed in the Ministry's motor vehicle inventory. Further, the letter attached from the department only indicated a request to honour the invoice dated 9 April 2014. In the circumstances, the propriety of expenditure of Kshs.919,510 on motor vehicle GK A641G could not be confirmed.

312. Unaccounted for Funds

The statement of receipts and payments reflects an amount of Kshs.5,155,063,206 under acquisition of assets which includes a payment of Kshs.29,654,000 in respect of expenses for Kenya Future Leaders Programme. Examination of the supporting documents revealed that a total of Kshs.22,890,539 was expended under the future leaders programme. However, it is not clear and the Ministry has not explained how the participants were identified and picked to the programme and how the terms of engagement were determined.

In the absence of supporting documentation it was not possible to confirm the propriety of expenditure totalling Kshs.22, 890,539.

313. Unaccounted for Rent

The statement of receipts and payments for the year ended 30 June 2015 reflects a use of goods and services balance of Kshs.4,111,729,340. Included in this figure is an amount of Kshs.18,966,912 paid in respect to office rent, service charge and parking at Utalii House. Examination of the payment vouchers and supporting documents for Kshs.18,966,912 however revealed the following anomalies:

- i. The contract between the Ministry and Kenya Tourists Development Corporation has not been availed for audit review to establish the terms and conditions applicable.
- ii. The payment was incurred by the Department of Education while respective references are to State Department of Science & Technology.

- iii. The payment of Kshs 6,322,288 60 of 7 April, 2015 was for rent of January 2014 to March 2014. This amount had however not been listed as a pending bill in 2013/2014 financial year.
- iv. Attached to the payment vouchers are duplicate invoices. No explanation has been provided on the whereabouts of the original invoices.
- v. The rent for the period July 2014 to December 2014 was paid in the month of November 2014 while that of the prior period, January 2014 to March 2014 was made in April 2015. The above inconsistencies have not been explained. Further, rent for the period April 2014 to June 2014 has not been accounted for.

In the circumstances, the propriety of the expenditure of Kshs 18,966,912 on rent could not be confirmed.

314. Undisclosed Pending Bills

The statement of receipts and payments reflects Kshs 4,111,729,340 under use of goods and services out of which a payment amount of Kshs 3,134,854 was paid vide payment voucher no 3255 dated 13 March 2015 for consultancy services carried out on various Teachers Training Colleges. It was however noted from the tender minutes that the consultancy services had been tendered for in 2013/14 financial year through minute number 09/25/2013-2014. However, examination of the pending bills for 2014/2015 financial year revealed that the bill was not listed under pending bills. No satisfactory explanation was provided for non-disclosure of the pending bill amounting to Kshs 3,134,854. Further, it was noted that the nature of the consultancy paid for could have been carried out by the Ministry's officials from the quality assurance department. In the circumstances the propriety of expenditure totaling Kshs 3,134,854 could not be ascertained.

315. Disbursement of Infrastructure Grants

The statement of receipts and payments for the year ended 30 June 2015 reflects acquisition of assets balance of Kshs 5,155,063,206. Included in this figure is an amount of Kshs 609,939,636 which the Ministry disbursed to eighty nine (89) secondary schools vide payment voucher number 006188 dated 19 June 2015 for infrastructure programmes. Although the Ministry explained that the target secondary schools were identified by the budget committee of the National Assembly in consultation with the National Treasury and that the proposals were forwarded to the Ministry through respective members of parliament, this is contrary to the existing practice where the schools proposals are vetted by the District/County Education Boards which assess and vet the proposed projects by the schools and approve the budgets to be forwarded to the Ministry for funding. The District/County Education boards also monitor to ensure that the approved projects are efficiently and economically implemented.

The Ministry has also not explained how the amounts paid to various schools ranging from Kshs.1,000,000 to Kshs.20,000,000 were determined. Further, no justification for disbursing such huge financial resources to various schools without approved plans and budget were availed for audit review. In addition, no returns to support how the amounts disbursed were utilized were availed for audit review. In the circumstances, it has not been possible to confirm the propriety of expenditure of Kshs.609,939,636 disbursed to various schools.

316. School Infrastructure Improvement Grants

Further, the statement of receipts and payments acquisition of assets balance of Kshs.5,155,063,206 includes an amount of Kshs.2,161,980,000 disbursed to various schools for infrastructure development. However, no criteria in support of how the payments to various schools were made was availed for audit and no returns on how the amount was utilized were availed for audit review. In the circumstances, it has not been possible to establish the authenticity of the expenditure totalling Kshs.2,161,980,000.

Other Matter

317. Budgetary Control and Performance

The State Department of Education had a total budget of Kshs.63,980,377,089 voted for the financial year 2014/2015 comprising of Kshs.9,739,007,073 for development and Kshs.54,241,370,016 for recurrent votes respectively. The budget absorption in the department was as follows:-

Item	Budgeted Allocation 2014/2015	Actual 2014/2015	Under Absorption	Absorption in %
Recurrent	54,241,370,016	52,997,412,863.80	1,243,957,152	98%
Development	9,739,007,073	7,723,731,867.20	2,015,275,206	79%
Total	63,980,377,089	60,721,144,731.00	3,259,232,358	95%

In view of the above, the Ministry managed 98% absorption on the recurrent expenditure, however, the Ministry failed to utilize Kshs.2,015,275,206 or 21% of the development budget. Failure to utilize funds is an indication of lack of adequate facilities and infrastructure in the education sector which may have impacted on delivery of quality education to the Citizens of Kenya.

318. District Expenditure

The statement of receipts and payments reflects a figure of Kshs.20,621,012,830 under Transfers to Other Government Units which includes Authority to Incur Expenditure (AIEs) released to District Education Officers (DEOs). However, audit of district expenditure revealed the following anomalies:

318.1 Loima Sub-County

318.1.1 Unaccounted For Fuel

During the year under review, the Department of Education, Loima Sub-County, Turkana County made three payments totalling Kshs 550,000 to a firm in respect of purchase of 4,650 litres of diesel. However, no records including fuel register, detailed orders and motor vehicle work tickets were provided for audit review contrary to Section 17.1.1 of the Government Financial Regulations and Procedures which require accounting officers to maintain up to date inventory and stock control records. Consequently, the propriety of the expenditure of Kshs 555,000 incurred on fuel could not be confirmed.

318.1.2 Irregular Cash Purchase

Information available indicates that the Department of Education, Loima Sub-County during the year under review made cash purchases totaling Kshs 392,530. However, the purchases exceeded the Kshs 10,000 threshold for entities in class B in which District Treasury entities fall contrary to the first schedule of the Public Procurement and Disposal Regulations 2006 and 2013 which limits low value procurement to Kshs 10,000 on each procurement per item. The department was therefore in breach of the law and regulations.

318.1.3 Unsupported Expenditure – Co-curriculum Activities

During the year under review, payments of Kshs 270,000 and Kshs 130,000 were made to two (2) officers at the District Education office, Loima on 25 and 29 June, 2015 respectively. The payments were in respect of surrender of imprest issued for co-curriculum activities which were however not supported with receipts and detailed analyses to indicate how the funds were utilized, contrary to Section 10.6 of the Government Financial Regulations and Procedures which require that all payment vouchers be supported by original documents.

Consequently, the propriety of the expenditure of Kshs 400,000 could not be confirmed.

318.2 Turkana Central Sub-County

318.2.1 Unaccounted for Fuel

During the year under review, an amount of Kshs 1,376,984 was paid to a firm for the purchase of 13,983 litres of diesel in bulk. However, no fuel register, detailed orders and motor vehicle work tickets supporting fuel usage were available for audit review. Consequently, the propriety of the expenditure of Kshs 1,376,984 could not be confirmed.

318.2.2 Irregular Cash Purchases

Scrutiny of payment records revealed that the department of Education made cash purchases totalling Kshs.539,150 which were above the low value procurement limit of Kshs.10,000 allowed by the Public Procurement and Disposal Regulation of 2006 and 2013. During the same period, two (2) cash payments of Kshs.175,000 each were made to two(2) suppliers in respect of food stuff storage rent for seven (7) months. However, no reasons were provided for making payments in cash. In addition, there was no valuation report to indicate how the monthly rent of Kshs.25,000 was arrived at and how the office space was identified. Further, no lease agreement was provided for audit review. Consequently, the department was in breach of the law.

318.2.3 Unsupported Expenditure on Regional Primary Ball Games and Music Festival

Audit review of expenditure records relating to co-curricular activities revealed that amounts of Kshs.204,452 and Kshs.475,548 was paid to two (2) officers in the District Education Offices, for regional games, primary ball games and regional music festival. However, no supporting information/documentation to indicate how the amount of Kshs.680,000 was utilized was availed for audit review.

In addition, an amount of Kshs.60,000 was paid to an officer in respect of allowance for three (3) officers attending a workshop in Nairobi and Kshs.125,000 to the District Education Officer in respect of allowances for five teachers to attend HIV/Aids Workshops in Nairobi. However, no supporting documents, including invitation letters, motor vehicle work tickets/bus tickets and certificates of attendance were availed for audit review.

Consequently, the propriety of the expenditure totalling Kshs.865,000 could not be confirmed

318.3 Vihiga County

318.3.1 Unsupported Expenditure on Supply of Goods and Services

Examination of County Education Office records revealed that an amount of Kshs.296,000.00 and Kshs.294,000.00 all totaling Kshs.590,000 were made to two (2) suppliers. However, supporting documents for these payments were not availed for audit verification. In the circumstances, the propriety of the expenditure amounting to Kshs.590,000.00 could not be confirmed.

318.3.2 Unsupported Fuel Expenditure

Further, expenditure on fuel amounting to Kshs 272,000 was not supported by fuel register and work tickets. Therefore the validity and authenticity of expenditure of Kshs 272,000 could not be confirmed.

318.4 Trans Nzoia County

318.4.1 Trans Nzoia West District

318.4.1.1 Cash Purchases

Examination of records at the Ministry of Education in the Trans-Nzoia County revealed that the department procured 81 trophies for various activities for Kshs 211,740 and two hundred and forty two (242) text books from various vendors worth Kshs 86,213 through cash purchases instead of quotations for competitive bidding contrary to Public Procurement and Disposal Regulation of 2013 and 2016.

Similarly no documents were available to confirm that the trophies were taken on charge and entered in the department's stores records. Consequently, the department was in breach of the law and it is doubtful if the stakeholders obtained the value of their resources.

318.4.1.2 Bulk Fuel and Lubricants Purchase

Examination of fuel and lubricants records during the year under review revealed that 8,226 litres of fuel worth Kshs 822,123 were procured by the department from two suppliers. Although the work tickets showed entries of fuel drawn, no fuel register and detail orders were maintained to indicate how the fuel was distributed or utilized. In the absence of a fuel register and detail orders it has not been possible to confirm receipt and issue of the fuel amounting to 8,226 litres. Consequently, the propriety of the expenditure of Kshs 822,123 could not be confirmed.

318.4.2 Trans Nzoia East District

318.4.2.1 Hire of Private Premises and Payment of Office Rent in Cash

Examination of records indicated that the Ministry of Education rented office space for the District Education Office at Chebarus Trans-Nzoia East District. The monthly rent for Cherangany/Chebarus plot No 234 was Kshs 24,000 per month for three (3) years from 3 February, 2010 and was increased to Kshs 80,000 per month with effect from 3 February 2015 as per the agreement signed. As at 30 June, 2015 an amount of Kshs 1,784,000 had been paid as rent for the office space.

It could not be established how the rented premises were identified given that no procurement documents were available for audit verification thus contravening Section 17.3.1 of the Government Financial Regulations and Procedures that require all

procurement of goods and services be made through open competitive tenders or quotations which are subject to approval by the appropriate tender board before orders are placed

In addition, no explanation was provided on how the amount of rent payable was determined. Further, the rationale of renting a premise for office space while the newly constructed District Headquarters offices at Kachibora Urban Centre had vacant offices could not be established

The rent payment was also effected through cash and cash paid exceeded the low value procurement limit of Kshs 10,000 allowed by Public Procurement and Disposal Regulations of 2006 and 2013. The Ministry did not get value for money by paying rent for office space instead of using vacant Government offices.

Consequently, the propriety of the expenditure of Kshs 1,784,000 could not be confirmed

318.4.2.2 Hire of Transport and Payments in Cash

The Ministry of Education made payments to different Ministry officials totalling Kshs 932,000 in cash for hire of motor vehicle services. The motor vehicle was to ferry students from Kipkeiker Secondary School to various venues for extra co-curricular activities. However, no supporting documents were availed for verification indicating the procurement method used in sourcing for the transport services thus contravening Section 17 3 1 of the Government Financial Regulations and Procedures that require all procurement of goods and services to be made through open competitive tenders or quotations which are subject to approval by the appropriate tender board before orders are placed

The payment vouchers did not also have the requisite supporting documents attached to them such as approved schedule of participants and officials, requisitions from user departments, local service order, timetables and schedule of events and venues contrary to Section 5 5 14(c) and (d) of the Government Financial Regulations and Procedures

In the absence of supporting documents, it was not possible to confirm whether the hire of transport services complied with the procurement regulations and as such the propriety and accuracy of the amount expended totalling Kshs 932,200 could not be confirmed

Consequently, the department was in breach of the law

318.5 West Pokot County

318.5.1 Unsupported Expenditure on Co-curricular Activities

Records availed for audit review indicate that the County Director of Education incurred expenditure of Kshs 834,000 whose supporting documents such as work programmes,

cash receipts and expenditure returns were not availed for audit review. In the absence of proper supporting documents, the propriety of expenditure totalling Kshs.834,000 could not be confirmed

318.5.2 Irregular Identification of Trainees

Available records indicate that an expenditure of Kshs 31, 382,839 was incurred on ICT training of 1,317 teachers. However no evidence was availed to confirm that the County Director of Education liaised with TSC county directors in identifying the three (3) teachers from each primary school for the training as stipulated in the unreferenced letter dated 19 March 2015 to all county directors of Education. Consequently, it has not been possible to confirm the propriety of expenditure totalling Kshs 31,382,839 00.

318.6 South Pokot County

318.6.1 Unsupported Expenditure on Various Schools' Activities

Records made available for audit review indicate that the District Education Officer incurred an expenditure of Kshs.571,752 whose supporting documents such as work tickets, invitation letters, programmes, travelling tickets and reports were not availed for audit review. In the absence of supporting documents the propriety of expenditure totalling Kshs 571,752 could not be confirmed

319. Current Grants, and Transfers to Government Agencies and Other Levels of Government

As reported in 2013/2014, included in other grants and transfers figure of Kshs 67,003,247,753.00 under note 12 to the financial statements is an amount of Kshs.65,369,305,403 00 in respect of current grants and transfers to government agencies and other levels of government. Included in Kshs 65,369,305,403 00 are disbursements totalling Kshs.21,524,382,508 00 to seventeen (17) sampled Universities and other government agencies out of which Kshs 21,392,812,896.00 was confirmed received as at the date of this report. The resultant variance of Kshs 131,569,612 has not been explained or reconciled. A review of the disbursements status in January 2016 indicated that the variance of Kshs.131,569,612 remained unreconciled as at the date of this report

Consequently, it has not been possible to ascertain the accuracy and validity of the disbursements of Kshs 65,369,305,403.

DONOR FUNDED PROJECTS

EDUCATION III PROJECT – STRENGTHENING AND EXPANDING ACCESS TO APPROPRIATE SECONDARY EDUCATION AND SKILLS ACQUISITION (PROJECT NO.P-KE-IAZ-001)

Basis of Adverse Opinion

320. Unsupported Pending Bills

The Government of Kenya and African Development Fund(ADF) signed an agreement on the implementation of the Strengthening and Expanding access to Appropriate Secondary Education and Skills Acquisition Project Credit No. P-KE-IAZ-001 on 3 June 2004. The Project was to initially come to an end on 31 December 2012 but was extended to April 2013, after which no expenditure was supposed to have been incurred on the project. However scrutiny of the project documents/information availed for audit review, indicated that there are pending bills totalling Kshs.166, 054,891 as disclosed in note 9 to the financial statements. The pending bills are as analysed below:

	<u>Kshs.</u>
Total requirement for extra/specialist works	60,245,513.67
Funds for water tank platforms (Kshs.300,000 per school for 350 schools)	105,000,000.00
Amount not yet disbursed from original contracts	33,561,923.77
Less amount disbursed in 2013/2014	<u>(32,752,545.70)</u>
Total pending bills	166,054,891.74 =====

It is not clear and management has not explained why these bills were not disclosed before the end of the extension period of April 2013. It was further noted that the bulk of the pending bills is on water tank platforms for 350 schools at a cost of Kshs.300,000 totalling to Kshs.105,000,000. The management has also not explained how the cost of Kshs.300,000 per water tank platform was arrived at.

In addition its not clear when and if the extra funding on varied works were approved as no evidence of such approval was availed for audit review. In the circumstances, it has not been possible to confirm that pending bills amounting to Kshs.166,054.891.74 are made in the best interest of the stakeholders and if it is a proper charge to the public resources.

321. Unsupported Receipts and Payments in Statement of Cash Flows

The statement of cash flow for the year ended 30 June 2015 reflects Kshs 2,580,000 under proceeds from domestic and foreign grants and other payment of Kshs 1,304,917 while the statement of receipts and payments reflects Nil transactions in both 2013/2014 and 2014/2015 financial years. The project management has not provided explanations for the above anomaly. In the circumstances it has not been possible to ascertain the validity and accuracy of the statement of cash flows for the year ended 30 June 2015

322. Unresolved Prior year issues

322.1. Non – Financial Assets

As reported in the previous years, the cumulative balance of non-financial assets of Kshs 1,646,113,939 excludes assets totalling Kshs 1,594,898,306 omitted from the financial statements. It is not clear and the management has not explained why assets worth Kshs.1,594,898,306 are omitted from these financial statements. In the circumstances, it has not been possible to confirm the accuracy and completeness of the non-financial assets cumulative balance of Kshs 1,646,131,939.

322.2. Unaccounted for Assets – Photocopy Machines

As reported in the previous years, an amount of Kshs 16,878,000 was paid to a firm to transport , install and train on the use of 374 photocopy machines to various secondary schools. However, no confirmation of receipt of these services by the beneficiary institutions were availed for audit verification. In addition, a list of personnel trained on the use of the photocopying machines was not availed for audit verification. Further, although documents in support of the payment indicate that 374 machines were dispatched, the number of beneficiaries was indicated as 350 institutions therefore leaving a balance of 24 machines worth Kshs 1,077,240 unaccounted for as at the date of this report.

322.3. Furniture, Books, Computers and Other Equipment

Further, as reported in the previous years, goods worth Kshs 953,970,360.35 were procured for distribution to various learning institutions. These goods included furniture, books, machines, computers and other equipment. Although the Ministry has maintained the distribution list at the Ministry's Headquarters, no confirmation of receipt by the beneficiaries was availed for audit verification as at the date of this report.

In addition, included in the above amount are Kshs 44,445,395.70 and Kshs 5,516,000 for the supply of 15,267 two-seater school desks and storage boxes respectively to non-formal learning institutions mainly in major urban centres. However, full details of these institutions including their contacts and physical locations were not availed for audit verification. In the circumstances, it has not been possible to ascertain if the assets worth Kshs 953,970,360.35 were actually received by the intended beneficiaries

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of the project as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis), and do not conform to the loan and Grant Agreements dated 18 December 2008

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, and as required by the Bank, and except for the matters disclosed in the Basis for Adverse Opinion paragraph, I confirm that

- i. Proper accounting records have not been kept
- ii. The financial statements are not in agreement with the accounting records
- iii. All Bank funds have not been used in accordance with the conditions of the Grant and Loan Agreements, with due attention to economy and efficiency and only for the purposes for which the funds were provided
- iv. Counterparts funds have been provided and not used in accordance with the conditions of the Grant and Loan Agreements, with due attention to economy and efficiency and only for the purpose for which they were provided
- v. Goods and Services have not been procured in accordance with the Grant and Loan Agreements and in accordance with the Bank's rules and procedures.
- vi. Not all necessary supporting documents, records and accounts have been kept in respect of all project activities and clear linkages do not exist between the books of account and the financial statements presented to the Bank, as well as level of disbursement and physical completion stage
- vii. The special accounts have not been maintained in accordance with the provisions of the Grant and Loan Agreements and in accordance with the Bank's rules and regulations
- viii. A comprehensive assessment of the adequacy and effectiveness of the accounting and overall internal control systems to monitor expenditure and other financial transactions to ensure safe custody of Project financed assets has been carried out
- ix. Ledgers as well as fixed assets register for the Project have not been maintained

GOK/OPEC BASIC EDUCATION IMPROVEMENT PROJECT (OPEC LOAN NO. 910P)

Basis for Qualified Opinion

323. Prior Year's Unresolved Issues

323.1 Cumulative to-date Surplus

As reported in the previous year, the statement of receipts and payments for the year ended 30 June 2015, reflects Kshs 1,109,632,640 and Kshs 1,103,051,736 under accumulative to-date receipts and payments respectively, resulting in a cumulative to-date surplus of Kshs.6,580,904. The bank reconciliation statement however reflects a balance of Kshs 368,588 as at 30 June 2015 resulting into unexplained/unreconciled variance of Kshs.6,219,656. In the circumstances, it has not been possible to confirm the accuracy of the statement of receipts and payments

323.2 Delay in Project Completion

As reported in 2013/2014, the GOK-OPEC Basic Education Improvement Project Agreement Loan No 910P was signed on 29 October 2002 between OPEC Fund for International Development and the Republic of Kenya and was expected to be completed by September 2005. Due to implementation challenges, several extensions were granted covering up to 29 February 2012. However, no information has been provided to show that the project was extended beyond February, 2012. The project has been dormant with no activities being undertaken over the last four (4) years. A comprehensive project evaluation progress report to show the current project status was not availed for audit review as at the date of this report. The management has also not given an explanation on the expected completion date

323.3 Non-Accounted for Assets

As reported in the previous years, the project assets include a digital video camera, a dell YX 2805D computer and two motor vehicles (Land Rover Defender S11) bought at Kshs 141,900, Kshs 504,000 and Kshs 5,346,000 respectively, all totalling Kshs 5,991,900. However, the digital video camera has since not been availed for physical verification and the management has not explained how the proceeds from disposal of the computer were accounted for in these financial statements. In addition, no progress report had been availed for the two motor vehicles which were indicated as having been taken for repairs as at the time of the audit. The project management has not disclosed the particular garage where the vehicles were taken to since the vehicles were not available for physical verification as at the date of this report.

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

STATE DEPARTMENT OF SCIENCE AND TECHNOLOGY

FINANCIAL STATEMENTS FOR VOTE 140

Basis for Qualified Opinion

324. Accounts Receivable

As disclosed in note 13 to the financial statements, the accounts receivable balance of Kshs.540,884.15 includes outstanding imprest of Kshs.73,150 which also includes Kshs.23,150 due from an officer who has since retired. The recoverability of the outstanding imprest of Kshs.23,150 is therefore doubtful. Further, the trial balance as at the same date reflects a figure of Kshs.1,023,790 being outstanding temporary imprests resulting in an unreconciled variance of Kshs.950,640 between the two sets of records.

325. Accounts Payable

The statement of assets as at 30 June 2015 reflects deposits and retention and other monies balance of Kshs.123,738,232 under accounts payables while the trial balance as at the same date reflects Kshs.131,807,493.35. The resultant variance of Kshs.8,069,261.35 has not been reconciled or analyzed as at the date of this report. Further, included in the trial balance figure of Kshs.131,807,493.35 is the contractors retention money balance of Kshs.120,070,877.20 which is at variance with the Ministry's manual records figure of Kshs.123,738,232.40 by Kshs.3,667,355.20. No explanation has been given for the difference in the two sets of records which should ordinarily reflect the same balance. In the circumstances, the accuracy, validity and completeness of the accounts payable balance of Kshs.123,738,232 could not be confirmed.

326. Pending Bills

Records maintained by the Ministry indicate that bills totalling Kshs.796,079,111.27 were not settled during the year 2014/2015 but were instead carried forward to 2015/2016 financial year. The bills are likely to distort budget programmes for the subsequent financial year when they are settled.

In addition, payment vouchers amounting to Kshs.3,996,361.30 were not availed for audit verification hence actual status of pending bills could not be established.

327. Under-Collection of Appropriations-In-Aid

Records availed for audit review indicate that the Development Appropriation Account for the year ended 30 June 2015 realized Appropriations-in-Aid of Kshs.2,885,382,931 against approved estimates of Kshs.4,207,600,000 resulting in an under-collection of Kshs.1,322,217,069 or approximately 31% of the expected receipts. Further, the

Recurrent appropriation account reflects under head 0032 - Multimedia University of Kenya estimated receipts of Kshs 164,000,000 against actual collections of Kshs 65,293,177 resulting in an under collection of Kshs.98,706,823 or 60% of expected collections. No satisfactory explanations have been given for the above under collections hence an indication of low rate of absorption of funds

328. Unsupported Expenditure

328.1 Scholarship in Australia

Examination of payment vouchers revealed that the Ministry paid Kshs 3,744,032 vide payment voucher no 11200 dated 29 June 2015 in favour of PS Ministry of Foreign Affairs in respect of education scholarships for two students in Australia. However, no evidence of supporting approvals and details of the type of courses paid for was availed for audit review. In the circumstances, the propriety of expenditure of Kshs 3,744,032 paid to Principal Secretary, Foreign Affairs could not be confirmed.

328.2 Per Diem to Japan

Further, documents available indicate that Kshs 141,997 was paid as quarter per-diem to an officer who had obtained a full scholarship to Japan for a Master's Degree course. However, the payment of quarter per diem was contrary to Code of Regulations and Office of the President circular No OP/CAB 2/12A dated 1 November 2004 which states that quarter per diem is only payable where a training award/scholarship organized under bilateral arrangements caters for only tuition and accommodation but does not include meals, out of pocket and stipend. No satisfactory explanation for the payment of the quarter per diem has been provided. In the circumstances, it has not been possible to confirm that Kshs 141,997 was made in the best interest of taxpayers.

329. Nugatory Payments

Examination of payment vouchers availed for audit review revealed that the Ministry paid an amount of Kshs 13,995,160 and Kshs 70,189,200 towards construction of North Rift Technical Training Institute and Ekerubo-Geita Technical Training Institute respectively. Included in the total amount of Kshs.84,184,360 is Kshs 4,364,591 being penalties for late payments of previous certificates. The Ministry has attributed failure to pay the contractor on time to challenges in release of exchequer. In the circumstances the penalty paid of Kshs 4,364,591 is not a proper charge against public resources.

330. Construction of Proposed North Rift Technical Training Institute

The statement of receipts and payments for the year ended 30 June 2015 reflects acquisition of assets figure of Kshs.14,886,307,700 which includes an amount of Kshs.120,471,459 paid to a contractor towards the construction of the proposed North Rift Technical Training Institute. Examination of contract documents indicates that the project commenced on 14 August 2012 at a contract sum of Kshs 291,738,610 88 for a contract period of sixty five (65) weeks ending 12 November 2013. However, the current status reports indicate that the project was incomplete and that the contractor is still on

site. No evidence of extension of contract period was availed for audit review and no satisfactory explanation has been given for the delay in completion of the project.

331. Purchase of Furniture for Technical Training Institutes

The statement of receipts and payments for the year ended 30 June 2015 reflects Kshs.14,866,307,700 under acquisitions of assets and includes a disbursement of Kshs.50,000,000 towards cost of operationalization and purchase of furniture in the newly completed Technical Institutes. However, physical verification of various Institutes in September 2015 revealed that no furniture had been bought and delivered to the Institutes. Consequently, the propriety of the amount of Kshs.50,000,000 disbursed to Institutes could not be ascertained.

332. Construction of Nine (9) New Technical Institutes in Various Counties

Included in the acquisition of assets figure of Kshs.14,886,307,700 is Kshs.105,000,000 disbursed towards construction of nine technical training Institutes in various counties which lacked such Institutions. Their construction begun in the financial year 2012/2013 and were to be completed within one year. Records and other related documents available at the Ministry indicate that the Institutes were incomplete yet their contract periods had already lapsed. No evidence of approval of contract period extensions was availed for audit review. In the circumstances, the stakeholders did not obtain value for their resources since the Institutes are not yet completed and put into their intended use.

333. Transfers to Other Government Units

The Statement of receipts and payments reflects Transfers to Other Government Units balance of Kshs.49,542,728,230 which includes an amount of Kshs.2,899,618,245 in respect of grants to National polytechnics, Technical Training Institutes and Institutes of Technology. However, an audit inspection carried out on development projects undertaken in the Institutes across the country revealed the following unsatisfactory matters:

333.1 Rent Arrears

Audit examination of various rent records maintained in Technical Training Institutes revealed that two (2) institutes were owed a total of Kshs.2,477,581 by various tenants occupying the Institute's staff houses. Some of the rent arrears were due from staff who had been transferred. No evidence of any positive measures being taken by the Institutes to recover the outstanding rent arrears from the concerned persons were seen. In the circumstances, the Institutes risk losing rent arrears totalling Kshs.2,477,581 due from staff who have since been transferred.

333.2 Creditors

Scrutiny of Creditors' records in various Technical Training Institutes revealed that eight (8) Institutes owed various suppliers amounts totalling Kshs.25,753,413 for procurement

of goods and services. It is not clear why the Institutes have not settled the overdue debts some of which have been outstanding for over three (3) years. Failure to settle debts as and when they fall due may expose the Institutes to additional costs arising from litigations and may affect the normal operations of the Institutes

333.3 Outstanding Imprests

Examination of imprest records revealed that various staff had not surrendered or accounted for imprests after completion of various activities for which the imprests were advanced contrary to Government Financial Regulations and Procedures. Three (3) institutes had outstanding imprests of Kshs 4,471,785 which remained un-surrendered as at the date of this report. It is not clear and management has not explained when and if the outstanding imprest will be recovered

333.4 Irregular Transfer of Funds

A review of available records indicated that three (3) Technical Training Institutes irregularly reallocated a total of Kshs.18,643,295 from Development Account to other recurrent accounts contrary to the Ministry's directives and guidelines Ref MST/DTVET/9/13/167 dated 8 April, 2015 which states that under no circumstances should development funds be diverted for other uses. No satisfactory explanation has been provided for the above anomaly and the stakeholders may not have obtained value from the development resources. The Institutes were therefore in breach of the law

334. Accounts Payable

Note 14 to the financial statements reflects Kshs 123,738,232 described as Liabilities – (retention, bursaries Taxes etc) whose individual item analysis was not provided for audit review. In the absence of the detailed item analysis, it has not been possible to confirm the validity accuracy and completeness of the accounts payable balance of Kshs 123,738,232

Other Matter

335. Budgetary Control and Performance

The Ministry of Education, Science and Technology-State Department of Science and Technology had a total budget of Kshs 71,189,411,265 voted for the financial year 2014/2015 comprising of Kshs 14,383,099,313 for development and Kshs 56,806,291,952 for recurrent votes respectively. The budget absorption in the department was as follows -

Item	Budgeted Allocation 2014/2015	Actual Expenditure 2014/2015	Under Absorption	Absorption in %
Recurrent	56,806,291,952	55,859,533,212	946,758,740	98%

Development	14,383,099,313	12,489,011,799	1,894,087,514	87%
Total	71,189,391,265	68,348,545,011	2,840,846,254	96%

Records availed for audit review indicates that Kshs.302,329 under Recurrent Vote had been allocated towards social security benefits yet during the year under review, there was no expenditure under the item representing 100% budget under-absorption. Further, Kshs.882,230,115 had been allocated as subsidies under the Recurrent Vote while actual expenditure was Kshs.468,890,000 resulting to an under absorption of Kshs.413,115,115 or 47% of total allocation. Idle funds is an indication of lack of facilities and services to the education sector which impacts negatively on promotion of quality education in the Republic of Kenya.

336. Economic Stimulus Programme- Proposed Bomet Technical Training Institute

Records held at the Ministry indicate that a total amount of Kshs.40,222,019 was disbursed vide payment vouchers No.313 of Kshs.37,900,000 and No. 559 of Kshs.2,322,019 dated 2 May 2012 and 29 June 2012 respectively to Eldoret Polytechnic towards construction of the proposed Bomet Technical Training Institute under the Economic Stimulus Programme (ESP). Additional information availed from Eldoret Polytechnic indicates that a firm was awarded the contract to construct Bomet Technical Training Institute and that the works commenced in 2011.

It was however not clear how the contract was being managed and how the project finances were operated. Although it was explained that Kshs.40,222,019 disbursed from the Ministry was handled by former management, no relevant financial and contractual documents such as tender documents, cash book, bank statements, bank account, bank reconciliation statements, bills of quantities, cheque books were availed for audit verification. Physical verification of the project in September 2015 revealed that the project was incomplete and the contractor was not on site.

Further, no explanation has been provided as to why the project is incomplete despite full contract amount having been released by the Ministry. In the circumstances, the propriety of the expenditure of Kshs.40,222,019 could not be confirmed and it is not clear if the stakeholders will get value for their money on the project.

337. Mawego Technical Training Institute

337.1 Stalled Project/Incomplete Classrooms

On 22 December, 2009 the Institute contracted a firm to construct ten (10) classrooms at a contract sum of Kshs.11,897,384. As the works commenced, the Institute varied the project to include one more floor to accommodate six (6) extra classrooms and the contract sum revised to Kshs.22,437,050.60, by a variation of Kshs.10,539,666.60 or 88.5% of the original contract sum which exceeds the allowable 15%, contrary to the

provisions of section 47(b) of the Public Procurement and Disposal Act, 2005 and its Regulations of 2006.

Further, the Bills of Quantities reflect a provision of Kshs.440,000 for electrical works. However, a physical visit revealed that no electrical works had been installed in the building. In addition, the ground floor did not have a structural beam in the middle of the slab and instead a round, metallic tube had been reinforced which has negatively impacted on the quality of workmanship.

In addition, payment schedules availed for audit review indicate that the contractor has been paid Kshs.20,147,214.60 which is about 90% of the revised contract sum as at June, 2011 while the project is at about 50% complete and the contractor has since abandoned site. No satisfactory explanations have been provided for the non completion of the project yet the contractor has been paid over 90% of the contract sum. In the circumstances, the stakeholders have not obtained value for their resources.

337.2 Unsupported Withdrawals

Records availed for audit review from Mawego TTI revealed that cheques totalling Kshs.7,009,363 were encashed against the Institute's Account. According to information available, the cheques drawn in favour of the Finance Officer on diverse dates were to cater for office expenses. However, no supporting information was provided to show how the amount withdrawn was utilized or the reason for encashing the cheques totalling Kshs.7,009,363 contrary to Section 5.5.14 of Government Financial Regulations and Procedures which require that all expenditure be properly supported and authorized. Consequently, it has not been possible to confirm the propriety of the expenditure totalling Kshs.7,009,363 incurred by the Institute's Finance officer.

338. Bushiangala Technical Training Institute

338.1 Construction and Completion of a Library Complex

Documents available indicate that the Institute awarded a contract for the construction and completion of a library complex to a firm at a contract sum of Kshs.24,463,865.47 with a completion date of 31 December, 2012. Records held at the Ministry revealed that Kshs.24,463,865 has been disbursed to the Institute towards the project with the final disbursement of Kshs.5,270,775 made in January, 2014, while payment records at the Institute revealed that Kshs.14,988,264.59 had been paid to the contractor by April 2015. The variance of Kshs.9,475,600 has not been accounted for.

Further, an audit inspection of the site in April 2015 revealed that the project was approximately 60% complete. No satisfactory explanation has been provided for the delay in completion of the project and no minutes in support of an extension of the contract period were availed for audit review.

In the circumstances, it has not been possible to confirm if and when the project will be completed and how the balance of Kshs 9,475,600 was utilized.

338.2 Construction and Completion of a Tuition Block

The Institute awarded a contract for the construction and completion of a tuition block at a contract price of Kshs 41,698,868 in 2011. Although information available from the Ministry indicates that full allocation of the contract price was disbursed to the Institute and that the building had long been completed and in use, it was not clear why the contractor was still owed Kshs 2,935,403 36. Further, the construction firm does not appear under the Institute's list of creditors and therefore the debt could not be authenticated. In the circumstances, the validity of the amount owed of Kshs 2,938,403 could not be ascertained.

339. Kisumu Polytechnic

339.1 Construction of a Library Block

Examination of records maintained by the Polytechnic showed that a construction firm was awarded a contract for construction of a library block in November 2011 at a contract price of Kshs 110,672,456 60 for a duration of 52 weeks. Examination of expenditure records revealed that Kshs 110,489,846 68 or 99.8% of the initial contract sum had been paid to the construction firm by April 2015. An audit inspection in April 2015 showed that the project was about 70% complete. No explanation has been provided as to why 99.8% of the contract sum was paid when the project was only 70% complete and therefore way behind schedule.

Further, scrutiny of the Bill of Quantities, which reflect the proposed contract sum of Kshs 110,672,456 60 revealed the following unclear issues:

- i. An amount of Kshs 500,000 was provided for clerk of works. It was however established that the clerk of works who is an employee of the Institute was not paid Kshs 500,000 for the services he rendered.
- ii. The contractor also provided for Kshs 200,000 for the project manager's office. However, during the site visit no such structure was seen.
- iii. Kshs 1,500,363 was provided for in the tender to allow for any increase in the cost of labour and/or materials during the contract period. The same amount was again catered for under provisional sum for contingencies and fluctuations totalling Kshs 6,000,000.

No satisfactory explanations were provided for the above anomalies. In the circumstances, it has not been possible to confirm that expenditure totalling Kshs 2,200,363 was a proper charge against public resources.

339.2 Construction of Rumps

Information available also indicated that Kisumu Polytechnic entered into a contract with another firm to construct two (2) rumps at the science complex, laboratory and business/ICT block at a contract sum of Kshs 24,660,301.12 on 12 October 2013 whereby as at the date of this report Kshs 19,804,125.40 had been paid. Further, a performance bond that the contractor had given during the contract period had expired on 10 September, 2014 and had not been renewed. A physical site visit in April, 2015 revealed that the rumps had been partially completed while examination of records at the institute revealed the following anomalies

- i. The approved architectural designs for the rumps were not available for audit review
- ii. Included in the Bill of Quantities were provisional amounts of Kshs 2,000,000 and Kshs 1,000,000 for contingencies and electrical works installation respectively. However, the above works were not quantified in the Public Works certificate during payment and therefore the nature of the works could not be ascertained

In the circumstances, it has not been possible to confirm the propriety of the total expenditure of Kshs.19,804,125.40 on the project

339.3 Construction of Medical Laboratory and Clinic

Documents availed for audit indicate that on 8 January 2013, the Institute awarded and signed a contract with a construction firm to construct a medical training laboratory and a clinic at a contract price of Kshs 47,227,422 for a duration of one year (52 weeks). A site visit to the project in April 2015 revealed that, although the roofing of the building had been completed, the internal finishes were yet to be completed as per the bill of quantities and the contractor had abandoned the site and as a result the project had stalled

Examination of payment records at the institute indicate that Kshs 44,506,637.53 or approximately 93% of the contract sum had already been paid. It was further noted that the performance bond had expired on 4 January, 2014 and had not been renewed as at the date of this report.

Further, examination of contract documents revealed the following unsatisfactory matters:

- i. The Institute sub-contracted the electrical and mechanical works at varied contract prices to Kshs 4,725,292 and Kshs.7,055,288 from the initial cost of Kshs 1,908,000 and Kshs 4,240,000 respectively. No satisfactory explanations have been provided for the irregular variations of prices

- ii. Further, included in the Bill of Quantities for mechanical works is supply and fixing of sanitary works at Kshs 4,013,870, and supply, delivery and installation of galvanized steel pipes priced at Kshs 1,589,141, supply, delivery and installation of fire equipment worth Kshs 444,200 and allowance for external water recirculation for Kshs 151,188, all totalling Kshs 6,198,299. However physical verification of the building revealed that the works have not been done yet the sub-contractor had been paid a total of Kshs.6,240,713.80. No satisfactory reason has been provided for paying for services that had not yet been rendered.

In the circumstances, the stakeholders may not have obtained value for their resources and the propriety of expenditure totalling Kshs 6,240,713.80 could not be confirmed.

340. Kisiwa Technical Training Institute

340.1 Sanitation and Sewerage Works

Examination of records maintained at Kisiwa Technical Training Institute revealed that the Institute awarded a contract for the improvement of drainage and sewerage system at a cost of Kshs 10,927,822. As at the time of audit Kshs.9,754,134.50 or 89.2% of the contract sum had been paid while the project was not complete as per the Bill of Quantities.

Further, scrutiny of the Bill of Quantities relating to 2 ablution blocks under bill no. 2 and 3 respectively revealed that the cost included Kshs 160,000 for water closet and wash hand basin facility for disabled persons. A physical verification on the site on 1 April 2015 revealed that the works have not been done. Further, the contractor was supposed to put up 12 dhobi sinks at Kshs 17,000 in each of the ablution block. However, only 8 sinks were put up in each block resulting in works worth Kshs.136,000 not having been done.

Additionally, the works included construction of staff toilets at a cost of Kshs.774,480 in addition to supplying, installing and testing lighting in the ablution block at a cost of Kshs 106,850. However, physical verification revealed that the works have not been done despite the payments having been made. Further, under bill no. 5, the contractor was to put up an ablution block for support staff at a cost of Kshs 349,320. These works had not been done by the time of audit although they were already paid for. Under the circumstances, the propriety of the cost of excluded works amounting to Kshs 1,526,650 could not be confirmed.

340.2 Water Harvesting Project

Records availed for audit review indicate that a firm was awarded a contract for the construction of water harvesting project at a contract sum of Kshs.5,611,640. Payment records revealed that Kshs.6,467,137 was paid resulting in an unexplained overpayment of Kshs.855,498. Further, the Bill of Quantities included Kshs 600,000 for construction of an underground tank using approved blocks. However, as at the time of

audit, and despite the fact that full payments had already been made, the tank had not been constructed

Further, the contractor had been paid Kshs.1,050,000 for electrical connections and a further Kshs 700,000 being a variation due to under estimation of the distance to the dam. However, a physical visit to the site revealed that the distance was approximately 800m and not 1.5km as was indicated. The distance to the dam was over-estimated leading to a possible over payment.

In addition, the contractor was paid Kshs 2,100,000 for supply and installation of three (3) plastic water tanks with a capacity of 24m³ on a common fabricated steel tower at Kshs 700,000 each for the same water harvesting project. However, physical verification revealed that the contractor supplied tanks with a capacity of 10m³ or 10,000 litres. Enquiries from various suppliers revealed that the price of 24m³ tank is Kshs 271,000 while that of 10,000 litres is about Kshs 80,000. The contractor therefore supplied water tanks with lower capacity at a total cost of about Kshs.240,000 against the amount paid of Kshs 2,100,000 resulting in an underperformance and overpayment of Kshs 1,860,000

In the circumstances, the propriety of the total expenditure of Kshs 5,611,640 could not be ascertained and stakeholders may not have obtained value for their resources

340.3 Tuition Block Phase II Project

Documents available indicate that on 3 February 2012 the Institute awarded a contract for the construction of a tuition block phase II to a contractor at a contract sum of Kshs.23,167,908 for a contract period of 24 weeks commencing at a date which was to be agreed upon with the project engineer. Available information as at 6 June 2015 indicate that an amount of Kshs 26,440,969.95 had been paid to the contractor resulting in an overpayment of Kshs 3,273,061.95, representing about 14% of the total contract sum

Further, out of the payments of Kshs 26,440,969.95 paid to the contractor, Kshs.22,700,861.15 was not supported by valuation certificates from the Ministry of Public Works as required. In addition, two payments amounting to Kshs 6,500,000 were paid to the contractor as advance/mobilization fee of which no recoveries were made from subsequent payment certificates

The unjustified overpayments to the contractor of Kshs.3,273,061.95 and unrecovered mobilization fee of Kshs 6,500,000 are not a proper charge to public resources.

340.4 Unaccounted for Expenditure

Examination of records maintained at the Institute, further revealed that the Finance Officer made cash withdrawals of Kshs.687,800 on various dates. The withdrawals could however not be verified due to lack of relevant supporting documents. Consequently, propriety of the expenditure of Kshs.687,800 could not be ascertained

341. Shamberere Technical Training Institute

341.1 Undelivered Software

Examination of expenditure records at the Institute revealed that Kshs.260,000 was paid in favour of a firm vide payment voucher No.1856 dated 24 November 2014 and invoice No.1035 dated 12 October 2014 in respect of supply of software.

However, the software had not been delivered as at 30 June 2015, more than seven (7) months after payment. This is contrary to the provisions of Public Finance Management Act, 2012, other Ministry's guidelines and Public Procurement and Disposal Act, 2005 and its regulations of 2006 which require that payment for goods procured be made after delivery, inspection and acceptance of the goods by the users. The Institute was therefore in breach of the law.

341.2 Irregular Allowance

Examination of records maintained at the Institute revealed that allowances totalling Kshs.571,650 were paid to various members of staff in respect to responsibility allowances and airtime. Payment of these allowances were however not supported by Board approval and it was not possible to confirm that Kshs.571,650 was a proper charge to public resources.

Further, an amount of Kshs.100,000 was paid to a firm for Architectural drawings, Bill of Quantities and structural drawings against invoice no. EB 2014-03 dated 4 August 2014 of Kshs.165,000. However, it is not clear why the Institute engaged private practitioners instead of Public Works officers.

342. Eldoret Polytechnic

342.1 Construction of Institutional Management Laboratory and Kitchen Annex

Examination of payment vouchers and summary records of Eldoret Polytechnic revealed that the Institute engaged a contractor for a labour only contract towards erection and completion of institutional management laboratory that also included a kitchen annex. Further scrutiny of the payment records revealed that, the Polytechnic contracted for consultancy services and separately procured materials from prequalified suppliers. However, the Institute failed to provide relevant supporting procurement records. Further, as at the time of site visit, the only records available were payment vouchers and expenditure summaries which indicate that the Institute had spent Kshs.39,486,190 for purchase of building materials and Kshs.31,486,190.00 for labour and consultancy services. No other supporting documents such as works valuation certificates were availed for audit review. However, scrutiny of the payment vouchers supporting disbursements availed by the Ministry revealed that the Institute received Kshs.105,850,000 in the financial years 2010/2011 – 2013/2014. The certificates examined for the main food laboratory revealed that the initial cost of Kshs.152,000,000

was varied to Kshs 275,000,000 an increase of Kshs 123,000,000 or about 81% which has not been explained

Further, examination of the same public works certificates attached to the vouchers revealed that construction of the laboratory – Kitchen annex cost was varied from Kshs.120,000,000 to Kshs 225,000,000, an increase of Kshs 105,000,000 00 or about 88%. Despite these substantial payments to the contractor, the project is incomplete and no status report on level of completion from Public Works was availed for audit review.

In the circumstances, it has not been possible to establish the nature and terms of this contract and to confirm that the above costs totaling Kshs.275,000,000 were a proper charge to public funds.

343. Construction of an Applied Science Laboratory

Examination of available records in the Ministry indicate that in 2011/2012 and 2012/2013 financial years, funds totalling Kshs 49,650,000 were disbursed to Eldoret polytechnic towards the construction of an Applied Science Laboratory project. However, scrutiny of the Public Works certificates availed by the Ministry indicated that the initial estimated project cost of Kshs 62,000,000 was varied to Kshs.285,000,000 by unexplained variance of Kshs 223,000,000 00 or about 360%. Further, no procurement and payment records relating to the project were availed for audit review and the project had stalled as at the time of the audit

In the circumstances, the propriety of the variation of Kshs 223,000,000 could not be confirmed

344. Unsigned Schedules for Payment of Labourers

Examination of payments records reveals that the Institute paid Kshs 12,698,880 to casual workers but the supporting schedules were not signed by the respective workers. Further, available information indicated that some of the workers rendered services in many different areas within a week. It is not practical for one to be engaged in the works of walling, roofing, plastering, plumbing, electrical works and keying at the same time. In the circumstances, the total expenditure of Kshs 12,698,880 on labourers could not be confirmed as a proper charge to public funds

345. Kiirua Technical Training Institute

345.1 Stalled Library Complex Project

Examination of the procurement records at the Kiirua institute revealed that on 20 December 2011 the tender committee awarded a contract for the construction of phase one of the proposed library complex to a contractor at a contract cost of Kshs 32,923,770 for a contract duration of 25 weeks. The contract was signed on 13

February, 2012 and the works commenced on 14 February 2012, an extension of completion period of 18 weeks was sought and granted by the client resulting in a revised contract duration of 43 weeks

Further, records held at the Institute revealed that a variation of Kshs.11,858,435 or approximately 38.35% of the contract sum was sought from the parent Ministry by the project manager. The Ministry declined the variation and thereafter the project manager scaled down the works to save an estimated amount of Kshs 11,422,025. As at the time of audit Kshs 25,542,506.40 had been paid to the contractor yet the building had only been done up to first floor and thereafter stalled. No evidence of approval of variation of scope of works as required by section 47 of the Public Procurement and Disposal Act, 2005 was availed for audit review. The variations also exceeded the 15% acceptable threshold as per the then Act. Although the project was incomplete, the contractor had written demand notices of payment of the outstanding balance on certified amount together with the accrued interest. In the circumstances the stakeholders may not have obtained value for their resources.

346. Rwika Institute of Technology

346.1 Construction of the Multi-Complex Hall

Examination of available records indicate that on 22 September 2011, the Institute awarded a contract for the construction of a Multi complex hall to a contractor at a contract sum of Kshs.51,435,699 for a period of 52 weeks. Examination of records held at the Ministry revealed that Kshs 53,000,000 had already been disbursed to the institute towards completion of this development project out of which only Kshs.28,351,830.29 had been paid to the contractor as at 30 June 2015 leaving an unutilized balance of Kshs 24,648,170. The resultant difference of Kshs 24,647,025 has not been accounted for. Further, physical verification of the project/building revealed that the project stalled at the superstructure level and there are no progress reports indicating the percentage of completion. It was also noted that the contractor vacated the site in 2013. It is not clear and management has not explained if and when the project will be completed and when the stakeholders will obtain value for their resources.

346.2 Sewerage and Drainage System

Examination of records held at the Ministry and the Institute revealed that Kshs 19,842,175 had been disbursed during the year under review as a special grant from the Ministry towards completion of the sewerage project. The Institute awarded a contract to a firm at a contract sum of Kshs 18,482,222 towards completion of the above project. However, examination of payment records indicate that Kshs 15,556,216.35 has been paid to the contractor leaving a balance of Kshs 2,926,005.65 to the contractor and Kshs 4,285,958.65 as unutilized funds.

Further, the development account bank statements of the Institute as at 31 December 2014 reflect a debit balance of Kshs 1,145 indicating that the amount transferred from Ministry as special grant had been exhausted

In the circumstances, it was not possible to establish how the unutilized balance of Kshs.4,284,813 65 had been utilized

347. Construction Works of the Proposed Laisamis Technical Training Institute

Available records indicated that the Ministry appointed Nyandarua Institute as a mentor of Laisamis Technical Institute Nyandarua Institute awarded a tender for the construction of the proposed Laisamis Technical Training Institute to a contractor at a contract sum of Kshs 51,545,661.50 for a duration of fifty two (52) weeks. However, examination of records and certificates from Public Works availed for audit verification revealed that the contractor had lodged an additional claim for payment of Kshs 3,612,064 in respect of abortive works on the site. No satisfactory explanation was given as to how the abortive works arose and how the institute plans to finance the resultant excess costs of Kshs 3,612,064 as the project is a fixed sum contract

348. Construction of a Tuition Block Phase II at Nyeri Technical Training Institute

Records available indicate that the Institute awarded a labour only contract for construction of a tuition block to a contractor at a total cost of Kshs 12,943,669 50 for a period of 48 weeks commencing on 28 February 2011 Verification of works done in April 2015 revealed that the works were incomplete and the contractor was not on site. No documentary evidence in form of tender minutes in support of extension of contract period was availed for audit review. Further, examination of payment vouchers availed for audit revealed that an amount of Kshs 10,476,986.45 or 90% of the contract price had been paid to the contractor net of retention money Although the project is incomplete no progress reports from Public Works Ministry indicating the level of completion were availed for audit review.

349. P.C. Kinyanjui Technical Training Institute

349.1 Construction of Resource Centre at PC Kinyanjui Technical Training Institute

In 2012/2013 financial year, the Institute awarded phase II of the above works to a contractor at a contract sum of Kshs 20,225,192 A physical verification of the project in August 2015 revealed that the project was incomplete as finishes and metal fabrications had not been done Thereafter, the contractor presented a claim for unpaid dues amounting to Kshs 11,944,946 Although the institute disputed the claim, the management had not computed the actual amount due to the contractor

Further, the contractor raised a parallel bill of quantities dated 7 April, 2015 comparing the original bill of quantities and the re-measured works for the project indicating that the project cost varied from Kshs 20,225,192 to Kshs 25,264,778 by Kshs 5,039,586

whose supporting analysis was not availed for audit review. In the circumstances, the Institute risks litigation from the contractor and may be in contravention of the Public Procurement and Disposal Act, 2005 and related Procurement and Disposal Regulations of 2006.

350. Construction of Muranga Technical Training Institute

Records availed for audit review indicated that on 29 January 2014 the Ministry awarded a contract for the construction of classrooms, workshops and laboratory blocks for mechanical and civil engineering departments at the proposed Muranga Technical Institute at a contract sum of Kshs.261,365,108 for a duration of seventy two (72) weeks ending 2 August 2015. However, examination of payment records and available progress reports as at 31 July 2015 revealed that Kshs.62,932,631.54 representing about 24% of the contract price had been paid to the contractor and the works were not complete as anticipated yet the completion period had almost lapsed.

No evidence of extension of contract period was availed for audit review and no explanation has been given for delay in completion of the project.

351. Idle Equipment

Documentary evidence availed for audit review indicate that on 1 March 2011, the Government of Kenya through the Ministry of Higher Education entered into an agreement with the Republic of China represented by AVIC International Holding Corporation under the Kenya-China project on rehabilitation and upgrading of equipment in Universities and Technical Training Institutes. One (1) university and nine (9) Technical Training Institutes were supplied with electrical/ electronic engineering, mechanical engineering, rapid prototyping manufacturing laboratories and diesel generators at a cost of US \$ 29,281,624 or approximately Kshs.2,490,159,083. A physical verification of the equipment in all the ten Institutes revealed that the equipment have not been utilized to full capacity and the generators have also not been put to use. The Ministry has explained that the equipment requires a three (3) phase power supply to operate and that plans are underway to upgrade the power supply in order to operationalize the equipment. In the circumstances, the stakeholders may not obtained value for their resources from equipment worth Kshs.2,490,159,083 supplied to the ten(10) Institutions of higher learning.

352. Unclear Development Expenditure

Examination of the Ministry's records revealed that Kshs.227,999,997 and Kshs.304,999,999.80 all totalling Kshs.532,999,996.80 were disbursed during the year under review as development grants to the Technical Training Institutes and Institutes of Technology. However, no details of the specific projects to be undertaken or already done were availed for audit review. Further, enquiries from the recipient Institutes revealed that some did not have pending projects to be undertaken and they were also not instructed on how the funds were to be utilized. It was therefore not possible to confirm that the development grants disbursed to various Institutes were efficiently and

economically utilized. In the circumstances, the propriety of the expenditure of Kshs 532,999,996.80 incurred by the Ministry on various institutes could not be confirmed.

353. Extension of Fiber Optic Cable to TIVET Institutions Project

Examination of contract records availed for audit review indicate that on 25 July 2012, the Ministry awarded a contract for the design, supply and installation/extension of fiber optic to TIVET Institutions to enable them have internet connectivity within the institutions to a firm at a contract sum of Kshs.239,705,045 and for a contract period of three (3) months effective immediately. Payment records availed for audit review indicate that Kshs.208,286,455.70 or approximately 87% of the contract sum had been paid to the contractor as at 9 October 2014. Physical verification of the works during the month of April, 2015 in various Institutes revealed that although the infrastructure work was done, the 10mbps free bandwidth connectivity for one year provided for in the contract was not provided to the institutes.

Further, most of the Institutes were connected through radio link which was often interfered with by adverse weather conditions and also the contractor has not handed over the project to benefiting Institutes as at the date of this report. In the circumstances, it has not been possible to confirm if the stakeholders obtained value for their resources from the connectivity services.

DONOR FUNDED PROJECTS

KENYA ITALY DEBT FOR DEVELOPMENT PROGRAMME (KIDDP)

Basis for Disclaimer of Opinion

354. Late Submission of Financial Statements

Section 68(2) k, of the Public Finance Management Act, 2012 require Accounting Officers to prepare annual financial statements for each financial year within three months after the end of the financial year, and submit the same to the Auditor-General for audit. The financial statement for the Programme were received in this office on 30 October 2015 one (1) month after the statutory date of 30 September 2015. The management was therefore in breach of the law.

355. Failure to Prepare and Submit for Audit 2013/2014 Financial Statements

Although the project management submitted 2014/2015 financial statements to the Auditor-General for audit, there was no evidence to show that the 2013/2014 financial statements were prepared and submitted for audit. This is contrary to Section 4 (1) of the Public Audit Act 2003 that require preparation of final accounts for every financial year. In the circumstances, the management is in breach of the law.

356. Balance Brought Forward

Statement of receipts and payments for the year ended 30 June 2015 reflects balance brought forward of Kshs.9,522,133. However it's not clear and the management has not explained the source and nature of the balance brought forward of Kshs.9,522,133. Consequently, it has not been possible to establish the validity of the balance brought forward of Kshs.9,522,133 reflected in these financial statements.

357. Variances in the Financial Statements

The accuracy of these financial statements could not be confirmed due to the following anomalies:

357.1 The Statement receipts and payments reflects an expenditure of Kshs.11,100,400 under tools and equipment while records availed for audit review indicate actual expenditure of Kshs.8,190,400. The difference of Kshs.2,910,000 is in respect of payments for the supply of ironing board, L-square, Knitting machine and sleeve board and whose supporting documents were not availed for audit review.

357.2 The statement of comparative budget and actual amounts reflects a final budget figure of Kshs.97,700,000 under proceeds from domestic and foreign grants. However, no approved budget supporting Kshs.97,700,000 was availed for audit verification. Further, the statement reflects actual proceeds from domestic and foreign grants of Kshs.25,641,449.50 which differs with the amount reflected in the statement of receipts and payments of Kshs.118,600,000 by an unexplained variance of Kshs.92,958,550.50. In the circumstances, it has not been possible to confirm the accuracy and validity of proceeds from domestic and grants reflected in these financial statements.

357.3 The statement of financial assets and liabilities as at 30 June 2015 reflects net financial position balance of Kshs.111,386,280 which differs with the casted balance of Kshs.107,875,486. The variance of Kshs.3,510,794 has not been explained or reconciled. Consequently the validity and accuracy of the statement of financial assets and liabilities as at 30 June 2015 could not be ascertained.

357.4 The statement of cash flows for the year ended 30 June 2015 reflects cash and cash equivalent at the beginning of Kshs.9,522,133 which differs with the figure reflected under the statement of financial assets and liabilities of Kshs.5,394,803. The variance of Kshs.4,127,708 has not been explained or reconciled. Consequently the validity of the cash and cash equivalents as at 30 June 2014 could not be ascertained.

358. Cash and Bank Balances

358.1 The statement of financial assets and liabilities as at 30 June 2015 reflects cash and cash equivalents bank balance of Kshs 111,386,280 60 while the cashbook as at the same date reflects a balance of Kshs 105,834,224.65 resulting to unexplained variance of Kshs 5,552,055.95 Further, the Project management did not avail a bank confirmation certificate in support of bank balance of Kshs 111,386,280 as at 30 June 2015

358.2 Further, the bank reconciliation statement as at 30 June 2015 includes four (4) un-presented stale cheques totalling to Kshs 4,000,000 which were being held by the project management No explanation was provided as to why these cheques were neither released to the respective payees nor cancelled and reversed in the cashbook. Therefore the cashbook balance as at 30 June 2015 is understated by Kshs 4,000,000 The reconciliation statement further reflects Kshs 244,744 as payments in bank statement not yet recorded in cashbook out of which Kshs 1,100 relates to bank charges for 2015/2016 financial year The amount of Kshs 244,744 also includes prior year adjustment figure of Kshs 240,529 whose supporting analysis was not availed for audit review.

358.3 Also the reconciliation statement reflects a balance of Kshs 4,330,000 as receipts in the cashbook not yet recorded in bank statement that has been outstanding for over two years. No satisfactory explanations have been provided as to why these receipts have not been deposited in the bank for the last two years The cashbook balance as at 30 June 2015 is therefore overstated by Kshs 4,330,000

In the circumstances, it has not been possible to confirm the accuracy, validity and completeness of the cash and cash equivalent balance of Kshs 111,386,280 60.

359. Unconfirmed/Excluded Expenditure

Examination of payment vouchers revealed that Kshs 59,724,550 and Kshs 24,050,355 50 in respect of purchase of workshop tools and construction of workshops respectively under government counterpart funding were omitted from the financial statements Further, Kshs 11,100,400 and Kshs 5,288,814 both amounting to Kshs 16,389,214 reflected in the financial statements were incurred on tools and construction of workshops respectively under the loan component. However, no distribution list, returns, or acknowledgements from the beneficiary institutions supporting the receipt of the purchased tools and equipment was availed for audit review In addition, the project management did not avail the project status progress report for audit review In the circumstances, it has not been possible to confirm the propriety of the expenditure of Kshs 16,389,214 on tools and construction of workshops for the year ended 30 June 2015.

360. Unresolved Prior Year Matters

360.1 Payment on Infrastructure Development

As reported in the previous years, the propriety of an expenditure of Kshs.44,248,395.00 incurred in focus districts in the year 2009/2010 was similarly not ascertained during the year 2014/2015 as no expenditure returns were availed for audit review.

360.2 Unposted Expenditure in Ministry's Records

As reported in the previous years, the statement of receipts and payments reflected total payments of Kshs.7,529,051.80 which included expenditure of Kshs.2,160,000.00 and Kshs.5,369,051.80 relating to supplies and infrastructure development, respectively. However, the expenditure figures were not captured in the parent Ministry's ledgers and trial balance as at 30 June, 2013 from which the financial statements were expected to be drawn.

360.3 Non-Disbursement of Programme Funds

As previously reported, the provisions of Article 1 (2) of the Financing Agreement between the Italian Government and the Government of Kenya require that each year, an annual installment of 10% of Euro 42,913,028.56 or Kshs.444,578,975.88 plus 10% of US\$1,364,282.07 or Kshs.11,479,069.33 totalling to Kshs.456,058,045.21 be disbursed to a special account of the programme. However, during the year 2012/2013, the Ministry received Kshs.4,330,000.00 only instead of Kshs.456,058,045, contrary to the terms of Agreement between the Italian and Kenyan Governments. The issue remained unresolved as at the date of this report.

360.4 Incomplete Infrastructure Projects

As previously reported, the statement of receipt and payments for the year 2012/2013 reflected expenditure totalling Kshs.5,369,051.80 incurred on infrastructure development. However, supporting documents examined indicated that six (6) of the projects for construction of three (3) twin workshops contracted during the year 2008/2009 valued at Kshs.101,900,352.95 and contract durations of eight (8) months each, had their contract periods expire by between forty (40) months and fifty (50) months as at 30 June, 2013.

Further, two (2) projects at Sigor and Kodich Youth Polytechnics had their contracts terminated due to non-performance with completion status of 10% and 85% respectively, while three (3) projects at Mariakani, Waondo and Sina Youth Polytechnics had a completion status of between 90% and 95%. As at the date of this report, the issues still remained unresolved.

KENYA EDUCATION SECTOR SUPPORT PROGRAMME (KESSP)

Basis for Disclaimer of Opinion

361. Unaccounted for Cash balance

The statement of financial assets and liabilities as at 30 June 2015 reflects a nil bank balance. However the cash book availed for audit review, reflects a bank balance of Kshs 292,434,312 as at the same date. No explanation has been provided as to why the cashbook bank balance of Kshs 292,434,312 was omitted from these financial statements. In the circumstances, it has not been possible to confirm the accuracy and completeness of these financial statements for the year ended 30 June 2015.

362. Unaccounted for Imprest

The statement of financial assets and liabilities as at 30 June 2015 reflects imprests and advances balance of Kshs 10,481,720 whose supporting analysis were not availed for audit review. The imprests and advances have been outstanding for over four (4) years. No explanations have been provided as to why the imprests and advances have not been accounted for as required by Government Financial Regulations and Procedures. The recoverability of imprests and advances totalling Kshs 10,481,720 as at 30 June, 2015 is therefore doubtful.

363. Non-Submission of Special Account Statement

Treasury Circular No. MF/AG 3/088 Vol 5/ (84) dated 1 September, 2008 requires the External Resources Department to prepare annual statement of special account which shall form an integral part of the financial statement for that particular financial year. However, as reported in the previous year, the 2014/2015 project financial statements did not include the special account statement contrary to this requirement. In the circumstances, the accuracy and completeness of the transactions of the special accounts for 2014/2015 could not be confirmed.

364. Prior Year's Unresolved Issues

364.1 Overpayment to Suppliers

As reported in the previous years, three (3) schools in Western, Nyanza and Coast Provinces made payments to suppliers in respect of stationeries and text books at a rate higher than that of the contracted suppliers or approved price list in the year 2010/2011, resulting to an overpayment totalling Kshs.98,725. As at 30 June 2015 the overpayment of Kshs.98,725 had not been recovered.

364.2 Unaccounted for Advance

As reported in the previous years, a payment of Kshs 100,000 was made to a Principal of a Secondary School in Coast province from Government grants to the school in

February, 2011. However, as at 30 June, 2015, the funds had not been accounted for and indications are that the money may have been embezzled.

364.3 Irregular Procurement of Goods and Services

As previously reported, four (4) schools purchased various goods and services worth Kshs.5,072,032 from various suppliers, without inviting quotations, contrary to Public Procurement and Disposal Act, 2005, and therefore denying the Government the benefits of competitive bidding. A review of the four (4) schools during the year under review indicated that one (1) school had documents showing that it procured laboratory furniture and grill door amounting to Kshs.151,300 through a competitive process. However the remaining three (3) schools with purchases totalling Kshs.4,920,732 used single sourcing and the issue was still outstanding as at 30 June, 2015. It is doubtful if the stakeholders got value for their money from the above transactions.

364.4 Early Childhood Development Education (ECDE)

As reported in the prior years, the statement of receipts and payments for the year ended 30 June 2011, showed nil expenditure under Early Childhood Development Education component and a cumulative expenditure of Kshs.1,256,496,964. However, the figure of Kshs.1,256,496,964 includes a grant of Kshs.223,000 disbursed to a school in Eldoret, but which had not been accounted for. A review of the position in 2014/2015 financial year showed that the amount had still not been accounted for or recovered.

364.5 Education Management Information System (EMIS)

As previously reported, the statement of receipts and payments for the year ended 30 June 2011, further showed a cumulative expenditure figure of Kshs.27,217,823 under Education Management Information System (EMIS). The cumulative balance, however, included an expenditure of Kshs.1,030,300 relating to transport reimbursements which had in 2008/2009 been considered as ineligible. This particular expenditure had not been recovered as at the date of this report.

364.6 Grants to Disadvantaged Groups

As reported in the prior years, the statement of receipts and payments for the year ended 30 June 2011 also showed a cumulative expenditure figure of Kshs.923,464,397 under Grants to Disadvantaged Groups. However, and included in the cumulative figure of Kshs.923,464,397 is an amount of Kshs.1,793,595 disbursed in 2008/2009 to seven (7) privately owned schools. Although this amount was considered as constituting ineligible expenditure, no action appears to have been taken to resolve the matter as at the date of this report.

364.7 In addition, it was reported that an audit verification carried out during 2009/10 revealed that a sum of Kshs 7,117,887 incurred in various primary and secondary schools was not spent as per the Joint Financing Agreement as follows:

364.7.1 Unaccounted for Grants

Examination of expenditure documents and other related records revealed that five (5) schools could not provide documents including invoices, payment vouchers, or cash sale receipts to support expenditures amounting to Kshs.5,499,440 incurred between July and December, 2008. A review of the matter during the year under review indicated that the money was not spent on the intended purposes and may have been misappropriated. Therefore, public resources amounting to Kshs 5,499,440 may have gone into waste.

364.7.2 Nugatory Payments

As previously reported, a payment of Kshs 193,900 was made on 21 July, 2008 to a supplier in Kuria East District for the supply of construction materials for Kurutiyange Primary School before the items were delivered. There was no evidence that the materials were delivered at the school as at the date of this report, and indications are therefore that the expenditure of Kshs.193,900 is nugatory.

365. Irregular Payments

As previously reported, Kimorori Primary School in Central province made payments amounting Kshs 1,262,918 to a contractor between January and June 2008 for supply of building materials. An inspection conducted by the Ministry of Education in July, 2008 however revealed a loss of Kshs 302,820 which had been occasioned by overpricing of goods and services and a recovery for the loss was ordered. Subsequently, an amount of Kshs 275,573 was recovered, leaving a balance of Kshs 27, 247 outstanding as at 30 June 2014.

SUPPORT FOR TECHNICAL, INDUSTRIAL, VOCATIONAL AND ENTREPRENEURSHIP TRAINING PROJECT (ADF LOAN NO. 2100150018493)

Basis of Qualified Opinion

366. Failure to Provide Budget Estimates

The statement of comparative budget and actual amounts for the year ended 30 June 2015 reflects under actual amounts Kshs 123,542,439, Kshs 9,104,447 and Kshs 128,500 under GoK counterpart funding, operating costs and training (GoK) respectively. However, the respective budgetary provisions had not been reflected contrary to Section 1.9.8 of International Public Sector Accounting Standards (IPSAS). No satisfactory explanation has been given for this anomaly.

367. Ineligible Expenditure

The Ministry contracted a firm to supply, deliver, install, commission and train on use of building and civil engineering training equipment to five (5) Technical Training Institutes across the country at a total cost of USD 3,168,755. Examination of payment vouchers revealed that an amount of Kshs.5,952,851 was paid to the contractor out of which Kshs.462,910.44 and Kshs.1,256,859.74 were in respect of demurrage and storage fees on these equipment on shipment to Mombasa port. These payments are not eligible under ADB conditions of the loan agreement. In the circumstances the payment constitutes an ineligible expenditure totaling Kshs.1,719,770. The project management was therefore in breach of the Loan Agreement.

368. Construction of Mechanical Engineering Workshop-Gusii Institute of Technology

The Ministry of Education awarded a firm a contract in July 2011 for the construction of mechanical engineering workshop in Gusii Institute of Technology at a contract sum of Kshs.11,790,032.10 for a duration of twelve (12) months. The works as per Bills of Quantities included putting up kerbs and improvement of the driveway around the workshop at a cost of Kshs.1,018,050 and installation of air-conditioning equipment in the server room and the computer lab at a cost of Kshs.452,000 all totalling Kshs.1,470,050. However, during a site visit to the Institute in April 2015, it was observed that the above works with costs totalling Kshs.1,470,050 had not been carried out. No explanation has been provided for the anomaly.

369. Construction of Building and Civil engineering block Phase I - Butere Technical Training Institute

Records availed for audit indicated that on 30 December 2013 a contract was awarded to a contractor for the construction of a Building and Civil Engineering Block Phase I at Butere Technical Training Institute at a contract sum of Kshs.150,229,572 for a duration of fifty two (52) weeks.

A visit to the project in September 2015 revealed that the project is not complete. However, examination of payment records revealed that as at 30 June 2015 the contractor had been paid Kshs.100,762,659.57 or approximately 67% of the contract sum out of which Kshs.90,383,967 was paid in 2014/2015 financial year but the project completion period has since lapsed. There was no evidence of any efforts being made to extend the contract period. No satisfactory explanation has been provided for the delay in project completion.

370. Electronic and Engineering Block Phase 1 – Tseikuru Technical Training Institute

370.1 Construction of Electrical and Electronics Engineering Block Phase I - Tseikuru Technical Training Institute

Records availed for audit review indicated that a contract was awarded a contractor to construct an Electrical and Electronics Engineering Block Phase I at Tseikuru Technical Training Institute in March 2012 at a contract sum of Kshs 88,149,485 39 for a duration of fifty two (52) weeks. A visit to the project in September 2015 indicated that the project is incomplete and the contractor's performance bond from Equity Bank of Kshs 10,493,986 40 had expired on 30 June 2013. No explanations were given for the delay in completion of works at the Institute or failure to renew the performance bond.

370.2 Supply, Delivery and Installation of Electrical and Electronics Engineering Equipment-Tseikuru TTI

On 30 December 2013, the Project Management awarded a contract for the supply of workshop equipment to a supplier at a contract sum of Kshs 45,713,849 21. Although, the equipment was delivered to the Institute on 2 January 2015, as at the time of this audit the same had not been installed at the institute's workshops. The equipment was left with the contractor without a formal agreement and without arrangements on the equipments security. In addition, the Electrical Workshops were not secure as the windows had no grills.

Further, the contract involved training on installation, maintenance and use of the equipment for ten (10) members of the teaching staff. It is not clear who was trained as the Institute did not have teaching staff as at the time of the visit.

In the circumstances, the stakeholders may not have gotten value for their resources as the equipment has not been put to its intended use.

371. Godoma Technical Training Institute

371.1 Construction of Electrical and Electronics Engineering Block Phase I

On 5 March 2012, the Project Management awarded a contract for the construction of an Electrical and Electronics Engineering Block Phase I at Godoma Technical Training Institute at a contract sum of Kshs 91,129,777 50 for a duration of twelve (12) months.

Information made available indicates that as at September 2015, the contractor had been paid Kshs 99,022,525 16 out of which Kshs 44,906,991 was paid during 2014/2015 financial year, through thirteen (13) interim certificates resulting in a variance of Kshs 7,892,747 66 over and above the contract sum. Further, included in the works was delivery and installation of an electrical submersible water pump worth Kshs 205,920. The pump had not been delivered and installed as at the time of audit inspection in September 2015. In addition, electrical sockets had been installed on the floor making it risky during the time of cleaning when using water. No explanation has been provided by the management for anomalies observed.

371.2 Supply, Delivery and Installation of Electrical and Electronics Engineering Equipment

A contract for the supply of workshop equipment at Godorna Technical Institute had been awarded to a contractor at a contract sum of Kshs.45,713,849 21. The equipment was however yet to be installed as the institute's workshops were yet to be handed over by the contractor. In the circumstances, it is not clear and the management has not explained if and when the equipment may be put to use and if the stakeholders will get value for their resources.

372. Construction of Mechanical Engineering Workshop-Nyeri Technical Training Institute

On 19 October 2011, the Project management awarded a contract for construction of a Mechanical Engineering Workshop at a cost of Kshs.80,088,778 74 for a duration of twelve (12) months. As at September 2015, the Ministry had paid Kshs 52,685,482 37 out of which Kshs 2,605,271 was paid during the year under review. Physical visit to the Institute in September 2015 revealed that the project was still incomplete and no project status report to show the percentage of completion was availed for audit review. No proper explanations were provided on the cause of delay in completion of the project, despite the fact that the Ministry had informed the contractor of its intention to terminate the contract due to delay and non-performance. In the circumstances, it has not been possible to confirm when the stakeholders will start getting the value for their resources as the workshops have not been put to use.

373. Unresolved Prior Year Matters

373.1 Non Delivery of Equipment

As reported in 2013/2014, information available indicates that on 30 December 2013, the Ministry signed contracts with various firms for the supply, delivery, installation, commissioning and training on use and maintenance of various equipment to eight (8) new Technical Institutes at a total cost of Kshs.363,135,374. However, a review of procurement documents availed for audit indicated that the Ministry had not paid the contractors and as result the equipment had not been supplied to the intended Institutes as at the date of this report, contrary to Section 6 of the Contract Agreement which required goods to be delivered at the project site not later than eight (8) weeks after signing the contract and completion date not later than twelve (12) weeks after contract signing. No satisfactory explanations have so far been provided by the Ministry for not paying the contractors. The non-performance of the contract for delivery of the equipment impacts negatively on the cardinal objective of the Project, to improve access, quality and relevance of skills development opportunities for the youth in Kenya.

373.2 Delays in Completion of Civil Works

As was previously reported, the Ministry in October 2011 contracted several contractors for the construction of workshops in eleven (11) Technical Institutes at a total contract sum of Kshs 838,482,812 78. In March 2012, the Ministry further undertook to construct

additional eight (8) workshops in eight (8) new Technical Institutes, and engaged contractors at a total contract sum of Kshs 763,442,178 49. In total the Ministry had committed to construct 19 workshops at a total cost of Kshs 1,601,924,991 27. According to contracts signed between the Ministry and various Contractors, the works were to commence immediately and be completed within fifty two (52) weeks in October, 2012 and March 2013

As at 30 June 2015, the Ministry had paid a total of Kshs 1,122,712,476 86 or approximately 70 085% of the total contract sum of Kshs 1,601,924,991 27. However, a review of the project at the time of this audit revealed that seven (7) out of the nineteen (19) contracts with a total contract sum of Kshs 546,071,441 had not been completed despite the contractors having been paid Kshs 323,183,243. The Ministry did not provide reasons for the delay in project completion and has not explained if and when the Project will be completed.

373.3 Non-Renewal of Bank Guarantees

As previously reported, a review of contract documents for the construction of workshops for selected technical institutes revealed that eighteen (18) contractors signed performance bonds at 10% of the contract sum in compliance with the contract agreement. The bonds executed were between Kshs 1,000,000 and Kshs.11,585,380 50. The bonds were to run for a period of one year and the contractors were to renew them upon expiry. A review of the project status in October, 2015 revealed that six (6) bonds totalling Kshs 50,119,297 30 had expired and had not been renewed, hence exposing the Ministry to risk of financial loss in case of non performance of this magnitude. No explanation was provided for this anomaly

373.4 Expired Contract Periods

As previously reported, the Project status report as at 30 November 2013 indicated that contract periods for 18 contracts expired on various dates within 2011/2012 financial year. However, although the Ministry did not give extensions of the contracts, a review of the status in September 2015, revealed that seven (7) contractors continued with the works without valid contracts in violation of Section VII Clause 2.2 of the contract agreements that provide for renewal of contract period upon expiry. In the circumstances, the Contractors were in breach of the terms of the contracts.

373.5 Advance Payment for Equipment and Works

As previously reported, the statement of receipts and payments for the year 2011/2012 reflected payment of Kshs 299,606,679.05 against goods and works. The figure included Kshs 34,532,180 70 in respect of equipment which was to be supplied and installed in three (3) Technical Institutions, and works which were to be done in eight (8) Technical Institutions within the Country. The amount of Kshs 34,532,180 70 also included advance payments of Kshs 29,519,983 90 which comprised of Kshs 2,338,296 90 paid to three (3) suppliers of equipment before delivery of the items, while the balance of Kshs 27,181,687 was paid in advance to three (3) contractors before the works had commenced

However, no proper bank guarantees for these payments were availed for audit review. It was therefore not possible to ascertain how the Ministry would be indemnified in case of breach of contract. As at 30 June 2015, the Ministry had not provided information on the status of the issue as raised in the previous year's report.

MINISTRY OF TRANSPORT AND INFRASTRUCTURE

STATE DEPARTMENT OF INFRASTRUCTURE

FINANCIAL STATEMENTS FOR VOTE 143

Basis for Adverse Opinion

374. Inaccuracies in the Financial Statements

The statement of financial position as at 30 June 2015 had the following inaccuracies

374.1 Accounts Receivables – Negative Kshs.41,992,571,850.20

Included in the receivables balance of negative Kshs 41,992,571,850.20 is an amount of negative Kshs 41,994,231,622.05 as summarized below whose details or supporting documents were not availed for audit:

Suspense & Clearance	12,326,945 80
Differences	<u>-42,006,558,567.85</u>
Total	<u>-41,994,231,622.05</u>

It has not been possible to confirm the accuracy and correctness of account receivables of negative Kshs 41,992,571,850.20 as at 30 June 2015 and why receivables have a negative balance

374.2 Accounts Payable and Deposits

The statement of financial position discloses account payables balance of Kshs 33,212,868,865 made up of deposits, other liabilities and system required liabilities of Kshs 264,258,608 35, negative Kshs 30,827,757 10 and Kshs.32,979,438,013.75 respectively The accounting officer has explained that the deposit amount of Kshs 264,258,608 35 represents the bank balance on the deposit account However, the deposit account cash book balance as at 30 June 2015 was Kshs 265,118,800 30 resulting in an unexplained difference of Kshs 860,191 95

Further, the negative Kshs 30,827,757 10 and Kshs 32,979,438,013 75 for other liabilities and system required liabilities respectively had no supporting documents

In addition, the Ministry has not disclosed pending bills as at 30 June 2015 for recurrent and development vote amounting to Kshs 57,651,140.05 and Kshs 30,265,963 30 for the two accounts respectively

In the circumstances, it has not been possible to confirm the accuracy and correctness of the accounts payable balance of Kshs 33,212,868,865

374.3 Cash and Cash Equivalents

The statement also reflects total cash and cash equivalents of Kshs 75,237,260,707 15 as at 30 June 2015 while all supporting records and documents indicate total cash and cash equivalents of Kshs 389,670,252 20. There is a variance of Kshs 74,847,590,454 95. The statement of cash flows on the other hand discloses Kshs 8,747,882,993.25 as balance of cash and cash equivalents as at 30 June 2015. The three sets of figures need to be reconciled.

374.4 Bank Balances

Included in total cash and cash equivalents balance of Kshs 75,237,260,707 15 is a bank balance of Kshs 267,935,813.90 composed of Kshs 266,632,602 30 and Kshs 1,303,211 60 for Deposits and Kenya Transport Sector Support Project (KTSSP) bank balance respectively. However, a bank balance of Kshs 389,670,252 20 was confirmed from the cash books and the supporting bank reconciliations. The bank balance of Kshs 267,935,813 90 excludes Kshs.121,139,157 70 and Kshs.2,109,082 60 in respect of recurrent and development bank balance respectively. In addition, deposit account cash book indicates a balance of Kshs 265,118,800 30 resulting in a difference of Kshs 1,513,802. The bank balance is therefore understated by Kshs 123,248,240 30.

374.5 Cash Balance

The statement of financial position further reflects a cash balance of Kshs 74,969,324,893 25 which however had no supporting documents. In addition, the board of survey confirmed that there was no cash balance as at 30 June 2015. It has not been possible to confirm the accuracy and completeness of cash and cash equivalents' balance of Kshs.75,237,260,707.15.

374.6 Net Increase in Cash and Cash Equivalents

The statement of cash flows for the year ended 30 June 2015 indicates net increase in cash and cash equivalents of Kshs 8,747,882,993 25. However, addition of cash flows from all activities reveals that there was actually a net decrease in cash and cash equivalents of the same amount.

374.7 Transfers to Other Government Agencies

The statement of receipts and payments for the year ended 30 June 2015 discloses an amount of Kshs 84,478,361,621 50 on account of transfers to other government agencies comprising Kshs 23,409,273,292 15 and Kshs 61,069,088,329 35 relating to Recurrent vote and Development vote respectively.

However, a review of the supporting documents indicated a balance of Kshs 61,614,881,790 70 as follows -

Journal vouchers (Direct payment)	29,818,825,898 60
Payment vouchers-	31,796,055,892 10
Total	<u>61,614,881,790.70</u>

The variance of Kshs 545,793,461 35 has not been reconciled.

374.8 Transfer From Other Government Entities

The statement of receipts and payments discloses an amount of Kshs 22,446,501,146 as having been received from Kenya Roads Board. However, a review of records from Kenya Roads Board indicated that an amount of Kshs 25,036,325,644 was remitted to the Ministry for onward disbursement to Roads Authorities, resulting in an unaccounted for transfers of Kshs 2,589,824,498

374.9 Appropriations-In-Aid Collected From Regional Offices

During the year under review, it was observed that the regional offices of Materials Department collected AIA amounting to Kshs 14,568,050 which was not disclosed in the statement of receipts and payments for the year. The whereabouts of this money is not known

374.10 Proceeds from Foreign Borrowing

The statement of receipts and payments reflects Kshs.24,746,958,749 65 as proceeds from foreign borrowing, which differs with total of journal entries of Kshs 27,541,044,073 02 resulting in an understatement of Kshs.2,794,085,323 40

374.11 Proceeds from Foreign Grants

The statement of receipts and payments discloses an amount of Kshs.5,030,114,823 45 as receipts from foreign grant. However, the supporting schedule and the ledger indicate an amount of Kshs.3,861,475,171 resulting in an unexplained difference of Kshs 1,168,639,652 45.

375. Operations of Deposits Account

The financial statements disclose Kshs 266,632,602 30 as the balance on the deposit account as at 30 June 2015. A review of the operations of the deposit account during the year revealed the following anomalies.

375.1 Retention Refunds – Kshs.881,398,162.91

The Department made retention refunds totaling Kshs 881,398,162.91 to contractors as follows

Financial year	Amount
2013-14	688,775,675 26
2014-15	<u>192,622,487 65</u>
	<u>881,398,162.91</u>

A review of documents in support of the figure of Kshs.881,398,162.91 however indicated that Kshs.292,060,779.51 and Kshs.100,372,341.65 for 2013/14 and 2014/15 respectively totaling 392,433,121.16 were paid without original receipts while refunds totaling Kshs.55,450,449.02 in 2014/15 were paid without proof of completion of works in the respective contracts.

In the circumstances, it has not been possible to confirm whether above refunds totaling Kshs.447,883,570.18 were genuine and valid.

375.2 Unresolved Issues for Deposits Account for 2012/13 and Earlier Years

As reported in the previous year, the statement of assets and liabilities for deposits for the former Ministry of Roads reflected the following debit and credit balances relating to 2012/2013 and earlier years which besides being un-cleared for a long time remained unanalyzed and unsupported as at 30 June 2015.

Account Debits	Amount (Kshs.)
Recurrent AIA	(184,700.00)
General Suspense	255,702,281.45
District Deposit Bank	251,227.00
Provincial Suspense Account	22,250,045.75
R/D Cheques	38,487.75
Fuel Levy	30,004,897.50
Credits	
Stale Cheques	719,064.00
Revenue Deposit	52,409,214.20
Mechanical Branch Suspense	687,268,445.25

375.3 The statement as at 30 June 2013 reflected a balance of Kshs.1,192,886,514.85 on 10% retention money composed of a balance of Kshs.1,438,823,266.35, relating to 2011/2012 and earlier years and movement during the year of negative Kshs.245,936,751.50. However out of the Kshs.1,438,823,266.35 reported in 2011/2012 an amount of Kshs.1,431,064,185.67 relating to 2009/2010 could not be verified from the retention money register since serial numbers of the receipts accounting for the retention moneys were not indicated. Further as reported in 2011/12 an amount of Kshs.11,822,080.15 released to a contractor was supported by receipts not issued for use in the Ministry's cash documents. The position remains unresolved to date.

375.4 The schedule supporting the retention money had a closing balance of Kshs.1,192,886,514.85 which include debit balances under various accounts amounting to Kshs.233,311,537.07 implying irregular over-refunding of retention money. One contractor was paid Kshs.17,213,703.00 when the account already had a debit balance of Kshs.59,940,016.67 resulting in an overpayment of Kshs.77,153,719.67. Payment

voucher no 008618 for the amount of Kshs.17,213,703 00 paid was still not availed for audit review

375.5 Debit balances reflected in the 2011/2012 statement of Kshs.2,181,697,190 45 differed with balance of Kshs.10,288,638,370.05 shown in the Ministry's trial balance as at 30 June 2012 by Kshs 8,106,941,179 60 Similarly, the credit balances totaling Kshs.2,181,697,190 45 differed with the trial balance totals of Kshs 3,335,760,495 65 by Kshs 1,154,063,305 20 Additionally, several accounts totaling Kshs 72,528,192 23 and credit balances of Kshs.16,549,108,680 20 shown in the trial balance were excluded from the statement of assets and liabilities as at 30 June 2012

All the above issues were unresolved as at 30 June 2013 and remained so in 2013/2014 and 2014/2015

Other Matter

376. Consultancy Services for Prospecting and Mapping of Road Construction Materials Sources

The Department entered into two consultancy contracts on 9 May 2014 of Kshs 78,340,020 and Kshs 51,500,125 60 for Hardstone materials and Natural materials respectively as follows:

376.1 Contract No. CME/002/Rd/2013-2014 for Consultancy Services for Prospecting and Mapping Sources of Hardstone Materials for Road Construction in Embu, Meru, Kitui, Machakos, Makueni and Tharaka Nithi Counties was awarded to C M Kamau and Associates on 9 May 2014 for a contract sum of Kshs 78,340,020 The contract was to commence on 26 May 2014 for fifteen months.

376.2 Contract No CME/001/Rd/2013-2014 for Consultancy Services for Prospecting and Mapping Sources of Natural Materilas/Gravel for Road Construction in Machakos, Makueni and Tharaka Nithi Counties was awarded to Norken (I) Ltd on 9 May 2014 for a contract sum of Kshs 51,500,125 60 The contract was also to commence on 26 May 2014 for fifteen months.

The following was noted

376.2.1 Budgetary Allocation

Examination of Development Vote Estimates indicates that the two projects were not allocated any funds in the financial year 2014-2015

376.2.2 Duplication of Scope

The two consultancies covered the same geographical area It was not explained why the scope under the consultancy was not packaged as one consultancy

376.2.3 Value for Money

There was no evidence on how the results of prospecting and mapping under the two consultancies were applied and the public did not obtain value for money.

377. Contract No.490/04 (Road 2000) Improvement and Gravelling of Athi Market – Kigucha Market Road D482

On 30 September 2002, the Ministry entered into a contract with Transnational Construction & Materials at a contract sum of Kshs.20,940,180 for improvement and gravelling of Road D482. The Contract commenced on 25 October 2002 with completion date of 24 April 2003 (6 months).

The following was noted:

- (i) The contract was terminated on 22 February 2005 more than two years after the deadline of contract period of 24 April 2003.
- (ii) No extension of time had been granted to the contractor despite several requests and no liquidated damages were demanded from the contractor.
- (iii) Initial contract sum was Kshs.20,940,180 but the contractor will be paid a total of Kshs.63,655,268.97 made up of an arbitration award of Kshs.55,235,909.97 and amount paid before contract termination of Kshs.8,419,359.
- (iv) The contractor did not complete the road works as the contract was terminated. The arbitrator in awarding the damages noted that the termination of the project did not follow the procedures laid out in the signed contract.
- (v) As at 30 June 2015, the Ministry had already paid a total of Kshs.21,500,000 vide payment voucher No.240 dated 8 September 2014 for Kshs.11,000,000 and payment voucher No.2124 dated 10 February 2015 for Kshs.10,500,000 leaving unsettled balance of Kshs.42,155,268.90 which continues to attract interest until settled in full.
- (vi) In addition, as the initial contract sum was Kshs.20,940,180, the extra expenditure of Kshs.42,715,088.97 is a nugatory expenditure and should not have been a charge to public funds.

DONOR FUNDED PROJECTS

KENYA TRANSPORT SECTOR SUPPORT PROJECT (IDA CREDIT NO. 4926-KE COMPONENT – B2 SUPPORT TO MINISTRY OF ROADS)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the International Development Association, I report based on my audit that:-

- i) All International Development Association funds have been used in accordance with the conditions of the Credit Agreement, with due attention to economy, and efficiency and only for the purpose for which the funds were provided,
- ii) Counterpart funds have been provided and used in accordance with the conditions of the Agreement, with due attention to economy and efficiency and only for the purpose for which they were provided,
- iii) Goods and Services financed have been procured in accordance with the conditions of the agreement and in compliance with the development partner's rules and procedures,
- iv) Necessary supporting documents, records and accounts have been kept in respect of all project activities,
- v) Adequate internal controls to monitor expenditure and other financial transactions exist, and
- vi) The fixed assets register for the Projects' assets was maintained during the year.

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT (IDA CREDIT NO. 5140 KE)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the International Development Association, I report based on my audit that -

- (i) All International Development Association funds have been used in accordance with the conditions of the Credit Agreement, with due attention to economy and efficiency and only for the purpose for which the funds were provided;
- (ii) Counterpart funds have been provided and used in accordance with the conditions of the Agreement, with due attention to economy and efficiency and only for the purpose for which they were provided,

- (iii)** Goods and services financed have been procured in accordance with the conditions of the agreement and in compliance with the Development partner's rules and procedures;
- (iv)** Necessary supporting documents, records and accounts have been kept in respect of all project activities,
- (v)** Adequate internal control to monitor expenditure and other financial transactions exist, and
- (vi)** The fixed assets register for the Projects' assets was maintained during the year.

MINISTRY OF TRANSPORT AND INFRASTRUCTURE
STATE DEPARTMENT OF TRANSPORT
FINANCIAL STATEMENTS FOR VOTE 144

Basis for Adverse Opinion

378. Inaccuracies in the Financial Statements

378.1 Statement of Receipts and Payments.

378.1.1 The statement of receipts and payments reflects total payments amounting to Kshs 161,204,337,094 00 out of which an amount of Kshs.5,911,485,177 00 relates to transfers to other government entities. However, the analysis provided reflects total transfers amounting to Kshs 5,914,753,648 75 resulting in a variance of Kshs.3,628,472.75. Further, included in the amount of Kshs 5,914,753,648 75 is an expenditure totaling Kshs.3,652,627,848 00 that does not relate to transfers to other government entities.

378.1.2 The statement of receipts and payments reflects a deficit of Kshs 7,677,185,613 for the year ended 30 June 2015. However, as the financial statements are prepared under cash basis, it has not been possible to establish the source of funds amounting to Kshs 7,677,185,613 utilized to meet the deficit.

378.2 Statement of Financial Assets and Liabilities

378.2.1 The statement of assets and liabilities as 30 June 2015 reflects a suspense of Kshs 7,593,331,321 which has been explained under note 18 as payments funded other than through exchequer or receipts but whose details or specifics has not been provided. Further, the statement of cash flows indicates the same suspense balance of Kshs 7,593,331,321 the source of which is not known.

379. Unsupported Payments

Examination of the department's cash book revealed that a total of Kshs.4,284,400.00 was paid from development vote as shown below but no supporting payment vouchers were availed.

PV No	Payee	Amount
728	Starlet quick supplies	1,488,200 00
223	Bel-Air Services	10,000 00
668	Rifesho Africa	435,000 00
773	Lyahi Services	2,100,000 00
1605	Easy Tours and Travel	251,200 00
Total		4,284,400.00

The expenditure of Kshs.4,284,400.00 could not be confirmed.

380. Budgetary Control

Examination of the combined recurrent and development appropriation accounts for 2014/2015 revealed an expenditure of Kshs.161,204,337,095 against a budget of Kshs.187,742,634,777 representing an under-expenditure of Kshs.26,538,297,682 ie.14% under-utilization.

In addition, note 19.1 reflects pending bills of Kshs.2,408,879,264.85. Had the pending bills been paid the under-utilization would have reduced by the same amount (Kshs.2,408,879,264.85).

Further, no analysis had been provided to give the details of the pending bills as required by Kenya Public Sector Accounting Standards Board.

381. Government Clearing Agency

The State Department of Transport reflects expenditure by Government Clearing Agency totaling Kshs.81,725,454 for the year ended 30 June 2015. However, the financial statements of the Agency prepared by the National Treasury and submitted for audit reflects receipts of Kshs.1,747,692 while the State Department of Transport indicates receipts of Kshs.1,341,835.00 resulting in an unexplained variance of Kshs.405,857.

382. Unaccounted for Deposits

As reported in the previous year, the financial statements of Ministry of Transport and Infrastructure for the year ended 30 June 2014 omitted the statement of deposits and a deposits bank balance of Kshs.558,884,792.25 held in Central Bank Account No.1000182188.

A review of the deposits balance during the year revealed that, out of the bank balance of Kshs.558,884,792.25 and as per reconciliation dated 8 September 2014, the State Department of Transport received Kshs.101,772,643.55 and the State Department of Infrastructure received the balance of Kshs.457,112,148.70. However, and although the State Department of Transport received Kshs.101,772,643.55, only Kshs.63,266,317.05 was accounted for, leaving Kshs.38,506,326.50 unaccounted for.

MECHANICAL AND TRANSPORT FUND

Basis for Qualified Opinion

383. Travel and Subsistence allowance

As reported in the previous year, reserves balance as at 30 June 2015 of Kshs 1,822,476,555 50 includes an amount of Kshs 1,621,691,003 34 brought forward from the financial year 2013/2014. This amount is net of Kshs 3,813,000 00 paid as Travel and Subsistence Allowance for the period ending 30 June 2014. The expenditure was incurred to cater for a ministerial team building retreat at the Great Rift Valley lodge held from 17 through 20 July 2013 on the premise that the same would be refunded to the Fund by the Parent Ministry

However, as at 30 June 2015 there was no evidence that the same had been refunded by the parent ministry and therefore the total expenditure of Kshs 3,813,000 should not be a charge to the Fund's reserves.

384. Supply of Computers and Related Equipment

As previously reported, Kenya National Highways Authority paid Kshs 25,564,350 vide payment voucher no 17690 dated 23 July 2014 to M/s Intermass Technologies (E A) Limited for a pending bill relating to 2013/2014 financial year. The supplier was competitively awarded the contract for the supply of three (3) Rack-Mount type computer servers; Ninety Four (94) Standard Desktop Computers, Twelve (12) Touch Smart Desktop Computers, Eight (8) Laptop Computers and Forty Six (46) Integrated Service Routers on 13 June 2013 at their tender sum of Kshs 25,564,350.00 which were purchased for Mechanical and Transport Fund under Northern Corridor Transport Improvement Project, IDA Credit Nos 3930 - KE and 4571- KE.

The supplier is said to have delivered the goods to Mechanical and Transport Fund of the Ministry of Transport and Infrastructure on 19 November 2013 vide delivery note No 1063. The Inspection and Acceptance committee inspected and accepted only Eight (8) laptop computers and Nineteen (19) Integrated service routers all valued at Kshs 2,975,150 00. It is further reported that the rest of the goods though delivered were misappropriated before they could be inspected by the inspection and acceptance committee

Despite the forgoing and although the goods received notes were not issued, Kenya National Highways Authority paid for all the goods vide Payment Voucher Number 17690 dated 23.07 2014 for Kshs 22,589,200 00

In the circumstances, value for money was not obtained from the expenditure of Kshs 22,589,200.

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)

Basis for Qualified Opinion

385. Non-Disclosure of proceeds from the Railway Development Levy in the Financial Statements for the year ended 30 June 2015.

Section 3(a) of the Legal Notice no. 118 states that the Fund shall consist of the proceeds of the Railway Development Levy charged under section 117A of the Customs and Excise Act. The statement of Receipts and Payments for the year ended 30 June 2015 excludes total proceeds (receipts) of Railway Development Levy charged under Section 117A of the Customs and Excise Act but has only disclosed Exchequer releases by the National Treasury amounting to Kshs 19,252,240,845.

The Fund Administrator has therefore breached the law and the total receipts figure for the year ended 30 June 2015 is understated with the undisclosed Railway Development Levy Collected for the year under review.

DONOR FUNDED PROJECTS

KENYA TRANSPORT SECTOR SUPPORT PROJECT (IDA CREDIT NO. 4926 KE COMPONENT 3)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Project as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement Loan No 4926 KE

In addition, the special account statement presents fairly, the special account transactions and the closing balance has been reconciled with the books of account

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Development Association, I report based on my audit that.

- i) All International Development Association funds have been used in accordance with the conditions of the Credit Agreement, with due attention to economy, and efficiency and only for the purpose for which the funds were provided;
- ii) Counterpart funds have been provided and used in accordance with the conditions of the Agreement, with due attention to economy and efficiency and only for the purpose for which they were provided,

- iii) Goods and services financed have been procured in accordance with the conditions of the agreement and in compliance with the Development partner's rules and procedures,
- iv) Necessary supporting documents, records and accounts have been kept in respect of all project activities,
- v) Adequate internal controls to monitor expenditure and other financial transactions exist, and
- vi) The fixed assets register for the Projects' assets was maintained during the year

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT (IDA CREDIT NO. 5140 (MOT COMPONENT))

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the International Development Association, I report based on my audit that -

- i) All International Development Association funds have been used in accordance with the conditions of the Credit Agreement, with due attention to economy, and efficiency and only for the purpose for which the funds were provided;
- ii) Counterpart funds have been provided and used in accordance with the conditions of the Agreement, with due attention to economy and efficiency and only for the purpose for which they were provided,
- iii) Goods and services financed have been procured in accordance with the conditions of the agreement and in compliance with the Development partner's rules and procedures,
- iv) Necessary supporting documents, records and accounts have been kept in respect of all project activities,
- v) Adequate internal controls to monitor expenditure and other financial transactions exist, and

- vi) The fixed assets register for the Projects' assets was maintained during the year.

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT (NCTIP) - IDA CREDIT NO. 3930 KE (MOT COMPONENT)

Basis for Qualified Opinion

386. Special Account Reconciliation

Note 6.2 to the financial statements reflects receipts from IDA amounting to Kshs.1,883,707.20 while the Special Account Statement prepared by the National Treasury reflects Kshs.6,504,834.55. The variance of Kshs.4,621,127.35 has not been reconciled.

EAST AFRICA TRADE AND TRANSPORT FACILITATION PROJECT (IDA CREDIT NO. 4148 KE – MOT COMPONENT)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the International Development Association, I report based on my audit that:-

- i) All International Development Association funds have been used in accordance with the conditions of the Loan Agreement, with due attention to economy and efficiency and only for the purpose for which the fund was provided.
- ii) Counterpart funds have been provided and used in accordance with the conditions of the Agreement, with due attention to economy and efficiency and only for the purpose for which they were provided.
- ii) Goods and Services financed have been procured in accordance with the conditions of the Agreement and in compliance with the Development Partner's rules and procedures.

- iv) Necessary supporting documents, records and accounts have been kept in respect of all project activities
- v) Adequate internal controls to monitor expenditure and other financial transactions exist; and
- vi) A fixed assets register for the Project's assets was maintained during the year

**MINISTRY OF ENVIRONMENT, WATER AND NATURAL
RESOURCES**

**STATE DEPARTMENT FOR ENVIRONMENT AND NATURAL
RESOURCES**

FINANCIAL STATEMENTS FOR VOTE 145

Basis for Adverse Opinion

387. Accuracy and Completeness of the Financial Statements

387.1 Undated Financial Statements

The financial statements forwarded for audit review for the year ended 30 June 2015 though signed have not been dated as required by the accounting standards. Further, progress on previous year audit issues has not been included in compliance with IPSASs Template as prescribed by the Public Sector Accounting Standards Board

387.2 Comparative Figures

The comparative figures for the 2013/2014 are for the two State Departments of Environment and Natural Resources and that of Water and Regional Development when the two were merged. Further, the comparative figures were not separated or restated to reflect what belongs to the State Department of Environment and Natural Resources.

387.3 Statement of Cash Flows

The opening cash balance as at the beginning of 2014/2015 of negative Kshs 49,069,945 is at variance with the closing balance for 2013/2014 of Kshs 69,355,058 resulting to an unexplained difference of Kshs 118,423,003

Further, the 2013/2014 closing cash and cash equivalents of Kshs.913,355,099 differs with the opening balance of Kshs 69,355,058 In addition, the net change movement in receivables and payables balances of Kshs.4,269,760 and Kshs 65,972,866 are not in agreement with the statement of assets (working capital) figures of Kshs 839,730281 and Kshs 444,616 respectively As a result, the accuracy of the statement of cash flows could not be ascertained

In view of the foregoing, the accuracy and completeness of the financial statements for the year ended 30 June 2015 could not be confirmed

388. Budgetary Control and Performance

388.1 Revenue Shortfalls

The exchequer release of Kshs 13,559,041,646 as at 30 June 2015 was short of the approved budget figure of Kshs 15,083,196,218 resulting into an unexplained variance of Kshs.1,524,154,572 Further, the Ministry received other receipts of Kshs.2,749,307,943 against a budget of Kshs 4,293,493,269 as shown below

No	Item	Budget (Kshs.)	Actual (Kshs.)	Variance (Kshs)
1	Recurrent	8,311,291,664	7,864,900,000	446,391,664
2	Development	6,771,904,554	5,694,141,646	1,077,762,908
	Sub total	15,083,196,218	13,559,041,646	1,524,154,572
3	Domestic and Foreign Grants	573,850,508	0	573,850,508
4	Proceeds from Foreign Borrowings	881,400,000	41,400,000	840,000,000
5	Sale of non-financial assets	2,345,091,761	2,329,019,269	16,072,492
6	Other Receipts Development	493,150,000	378,888,674	114,261,326
	Sub total	4,293,492,269	2,749,307,943	1,544,184,326
	Grand-Total	19,376,688,487	16,308,349,589	3,068,338,898

The overall revenue and borrowings shortfall of Kshs 3,068,338,898 reflects negatively on implementation of planned and budgeted activities of the Ministry

388.2 Under Expenditure Budget Analysis

The analyses between the budgeted provisions against the actual expenditure reflect on overall under expenditure of Kshs 3,057,948,032 as shown below.

No.	Item	Budget (Kshs.)	Actual (Kshs.)	Variance (Kshs)
1	Compensation of Employees	1,287,401,669	1,246,087,942	41,313,727
2	Use of Goods and Services	2,251,646,994	1,348,268,943	903,378,052
3	Transfer to other Government Units	10,198,861,246	9,542,051,154	656,810,092
4	Social Benefits	14,300,000	13,929,593	370,407
5	Other Grants and Transfers	33,600,000	31,689,430	1,910,570
6	Acquisition of Assets	5,590,878,578	4,136,713,393	1,454,165,185
	Total	19,376,688,487	16,318,740,455	3,057,948,032

Further, the huge unexplained under expenditure of Kshs 3,057,948,032 implies non-delivery of planned development facilities and services

388.2.1 Use of Goods and Services

During the year under review, the Ministry spent a total of Kshs.1,348,268,943 against the approved budget provision of Kshs.2,251,646,994 resulting in an underspending of Kshs.903,378,052 or 40%.

It was however noted that the supporting schedules reflected a balance of Kshs.1,310,817,675 resulting in an unexplained variance of Kshs.37,451,268.00.

388.2.2 Acquisition of non-financial Assets

The Ministry spent a total of Kshs.4,136,713,393 or 74% on acquisition of assets against the approved budget of Kshs.5,590,878,578 resulting to underutilization of Kshs.1,454,165,185. The schedule provided in support of this item had a balance of Kshs.3,129,990,135 resulting to un-explained variance of Kshs.1,006,723,258.

388.2.3 Transfers to Other Government Units

The Ministry spent a total of Kshs.9,542,051,154 as transfers to other Government entities during the year against an approved budget of Kshs.10,198,861,246 resulting to underfunding of Kshs.656,810,092 of the budget. It has not been explained why the Ministry retained funds meant for other agencies.

Further, the schedule provided to support this amount added up to Kshs.8,066,511,717 resulting to an overstatement of Kshs.1,475,539,437.

In addition, an amount of Kshs.22,500,000 was transferred to the Ministry of Foreign Affairs and another Kshs.23,328,000 was transferred to Wildlife Club of Kenya, a private entity without the necessary arrangements on how to account for it. In both instances, the Ministry has not explained the rationale for funding these entities and the accountability for the funds.

In view of the foregoing, the accuracy and propriety of the expenditure of Kshs.16,318,740,455 could not be confirmed.

389. Pending Bills

Bills amounting to Kshs.420,576,006 chargeable to both recurrent and development votes for the ministry as at 30 June 2015 were not paid in the year 2014/2015 but were instead carried forward to 2015/2016. Had those bills been paid and expenditure charged, the statement of receipts and payments would have reflected a higher deficit of Kshs.430,966,872. Failure to settle the bills during the year to which they relate distorts the financial statements for that year and adversely affects the provisions of the subsequent year to which they have to be charged.

In addition, the list of pending bills availed for audit review did not have the details of the tender number, contract sum and the pending invoices as required.

Consequently, it has not been possible to ascertain the validity, completeness and accuracy of the pending bills balance of Kshs.420,576,006.

390. Cash and Cash Equivalents

The statement of financial assets reflects cash and cash equivalents of Kshs 2,244,295 as at 30 June 2015. However, examination of the bank reconciliation statement as at 30 June 2015 revealed the following unexplained reconciling items;

- (a) The recurrent cash book reflects payments in the cash book not yet presented in the bank of Kshs 172,519,369 of which Kshs 567,451 were stale cheques
- (b) Kshs 1,961,995 being payments in bank not posted in cash book. It has not been explained how payments went through in the bank without first being recorded in the cash book.
- (c) Receipts in cash book not yet recorded in the bank of Kshs 152,642,501 include Kshs 150,000,000 being exchequer issues posted in cash book but not recorded in the bank. It has not been explained as to how the exchequer issue was captured in the cash book before it could reflect in bank account
- (d) Receipt in bank not recorded in cash book amounting to Kshs 223,673. Management has not explained what those receipts are and why they have not been posted to the cash book

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs 2,244,295 as at 30 June 2015 could not be confirmed

391. Deposits Account

The Ministry reflects a deposits account of Kshs 65,972,866 as liability as at 30 June 2015 which had not been supported with a corresponding asset and a list of the beneficiaries of the deposits account was not availed for audit verification

Further, the ministry did not maintain a separate account for the deposits as required under Government financial regulations

As a result, the accuracy and completeness of the deposit balance of Kshs 65,972,866 could not be confirmed

392. Acquisition of Non-financial Assets

The acquisition of non-financial assets balance of Kshs 4,136,713,393 as at 30 June 2015 include Kshs 341,631,075 for research, studies, project preparation design and supervision of which Kshs 27,145,395 do not relate to the item

In the circumstances, the accuracy, validity and completeness of acquisition of non-financial assets balance of Kshs 4,136,713,393 as at 30 June 2015 could not be ascertained

393. Financial Performance

The State Department of Environment and Natural Resources prepares its accounts using IPSAS cash accounting which implies that expenditure should not exceed receipts. However, reflected in the statement of receipts and payment is a deficit of Kshs.10,390,866 (2014: Kshs.833,138,857) as at 30 June 2015. Further, the Department has an overall negative financial position of Kshs.59,458,811 as at 30 June 2015. This has partly been brought about by the Department having wrong opening balances. It is not clear why the Department has a deficit whereas there was huge under spending both in recurrent and development votes.

Consequently, the reliability of the financial statements and the financial performance of the Department could not be ascertained as at 30 June 2015.

394. Fixed Asset Register

The fixed asset register was not provided for audit review yet the Department has various buildings across the country as well as vehicles and other equipment of undetermined value. In absence of the register, it was not possible to confirm that the Department's financial position is fairly stated.

Other Matter

395. Irregular Procurements

395.1 Sub-contracting of Supply, Delivery, Installation and Commissioning of Integrated Metrological Data Collection System

The Ministry awarded a contract of Kshs.169,500,054 to New Edge Solutions Ltd on 2 November 2012. However, the contract was signed between the two parties on 18 October 2014 which was two years after the award.

Further, the contractor, without the approval of the contractee sub-contracted the whole contract to Ms Klass Ltd contrary to the Public Procurement and Disposal Act, 2005. No evidence of delivery of services has been provided for audit review and it appears Ms Klass Ltd was paid based on the 2012 tender documents.

In the circumstance, the expenditure of Kshs.169,500,054 is irregular charge to public funds as no value for money appears to have been obtained as at 30 June 2015.

395.2 Irregular Procurement and Payment -Construction of Embu County Office

The Metrological Department contracted M/S Cofard Construction (K) Ltd to construct a model County Office in Embu in 2009 at a contract sum of Kshs.11,532,396 by floating a quotation contrary to the Public Procurement and Disposal Act, 2005. The contract sum was revised upwards to Kshs.14,548,499 without following the procedures. No contract was prepared and signed between the two parties in accordance with Public

Procurement and Disposal Act, 2005 As of the date of this report, the project has stalled casting doubt as to whether this was regular charge to Public funds

The Ministry appears to have lost the Kshs.14,548,499 spent on the stalled project

395.3 Tender to Construct Two Observatory Units

The Ministry awarded a tender to construct two observatory units to Signature Contractors and General Supplies at a tender sum of Kshs 6,771,936. However, after two months, the Ministry awarded another similar contract to Venera Investments at contract sum of Kshs 13,543,872 which is double the amount awarded to the first contract for the same work

In the circumstances, it has not been possible to ascertain the propriety of the expenditure of Kshs 13,543,872 and the contract did not fulfill the requirements of the Public Procurement and Disposal Act, 2005

395.4 Contract for the Supply, Delivery, Installation and Commissioning of Weather Observation System

During the year under review, the Ministry paid Kshs 9,491,023 to Kenya Auto Electrical Ltd being 50% payment for the supply, delivery, installation and commissioning of weather observatory systems. The payment was made based on the purported supply and procurement done in 2007. The LPO was dated 2007 while the delivery note was dated 6 October 2008. There was no contract to support the payment and besides there was no evidence regarding the previous payments and delivery.

In the circumstances, the validity and propriety of the payment of Kshs.9,491,023 could not be ascertained.

395.5 Irregular Fencing Projects Payments-Kenya Metrological Service Stations

The State Department of Environment identified some contractors through floating of quotations for the construction of fencing projects at various Kenya Metrological Service stations at a contract sum of Kshs 27,760,162 contrary to the Public Procurement and Disposal Act, 2005 where contracts exceeding Kshs 4 million should go through open public tendering. Further, the payments to the contractors did not have Electronic Tax Register (ETR) receipts attached to confirm that the tax due to the Government was paid.

In addition, no engineers report(s) or certificates of completion of work were provided for audit verification to confirm that the works were done to the expected standards and as per bills of quantities before payments were made.

In the circumstances, it has not been possible to ascertain the propriety of the expenditure of Kshs 27,760,162.

395.6 Payments towards the Construction of Buildings and Related Works

The State Department of Environment awarded to M/S Gracan Construction Ltd a contract to construct proposed extension and re-roofing of Administration block at Kenya Metrological Department (KMD) at a contract sum of Kshs.55,414,756. The contract appears to have been awarded in 2009/2010 but payments were being made in the current financial year. The cause for the delay was not documented anywhere. The contract sum and other contract conditions could not be established as there were no documents availed for audit verification. ETR receipts were not attached to the payments, casting doubt whether the tax due was remitted. Inspection and acceptance committee reports were not produced for audit confirmation.

In the circumstances, it has not been possible to ascertain the legality and propriety of the expenditure of Kshs.55,414,756.

395.7 Unverified Supplies of Seedlings

During the year under review, the State Department of Environment contracted various suppliers to supply seedlings to various destinations at a contract sum of Kshs.34,925,500.

The delivery of the seedlings could not be confirmed as delivery notes were not signed and stamped or no goods received notes were issued. This casts doubt as to the existence and execution of the contracts.

In the circumstances, it has not been possible to ascertain the propriety of the expenditure of Kshs.34,925,500.

396. Loss of Government Vehicle

The Ministry vehicle registration number GKA 152Q (though assigned civilian number plate KAY 953F) and attached to a former Principal Secretary valued at Kshs.5,460,000 was reported lost at Mlolongo area in Machakos County under unclear circumstances on 24 August 2013 at around 9.00 pm while being driven by an unauthorized person. The vehicle was not reported lost as per the Government regulations.

Consequently, the Ministry appears to have lost Kshs.5,460,000 being the cost of the vehicle as no recovery of the amount had been instituted as at 30 June 2015.

397. Renovation of Staff Houses in Lodwar Town

The Meteorological Department, Turkana Sub-County made a payment of Kshs.7,398,039 to M/S Namorutunga Construction Company Limited on 29 May 2015 in respect of renovation of ten (10) houses in Lodwar Town. Although the works were completed and certificate of completion issued on 15 May 2015 and technical team report issued on 20 May 2015, it was noted that the contract sum of Kshs.7,398,039 exceeded procurement threshold matrix of Kshs.3,000,000 limit allowed by Procurement Regulations 2013 for the quotations in respect of works for entities in Class B under which District Treasury entities fall. Further, the tender award was made

on 6 February 2014, the contractor informed on the same date, the contractor accepted the offer on the same date and the contract signed on the same date contrary to the provisions of Section 67 (1) of the Public Procurement and Disposal Act, 2005 which requires that a contract be signed after lapse of fourteen (14) days after notification of award.

In addition, the full contract sum of Kshs 7,398,039 was made without withholding 6% VAT and there is no evidence that the contractor remitted the balance of 10% to Kenya Revenue Authority since the firm did not present Personal Identification Number (PIN) certificate.

Consequently, the contract was irregularly awarded and was in breach of the Public Procurement and Disposal Act, 2005 and Procurement Regulations 2013.

398. Compensation of Employees

The compensation of employees reflects an amount of Kshs 1,246,087,942 as at 30 June 2015. An examination of the payroll however revealed that there are instances when those who have retired take long to be removed from payroll. Further, there were unreconciled payroll differences between some months.

In addition, some staff were commuting their leave days and at the same time are paid leave allowance which amounts to double benefit. It was also revealed that there are staff who have sought for study leave yet they continue enjoying full salary while others who upon finalizing their study leave take long to resume but were still in the payroll. This practice negates proper internal controls in the area of payroll management.

DONOR FUNDED PROJECTS

KENYA WATER SECURITY AND CLIMATE RESILIENCE PROJECT (IDA CREDIT NO.5268-KE)

Basis for Qualified Opinion

399. Unreconciled Loan Disbursement

The loan amount of Kshs 390,616,107 received during the year under review from External Resources Department is at variance with the special accounts statement balance of Kshs 429,555,792 resulting in an un-explained difference of Kshs 38,939,685. Consequently, it has not been possible to confirm the propriety of the loan difference of Kshs.38,939,685.

INSTITUTIONAL STRENGTHENING OF THE OZONE DEPLETING SUBSTANCES PROJECT (UNEP PROJECT ACCOUNT NO. UNEP/KEN/SEV/62/INS)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

THWAKE MULTI-PURPOSE WATER DEVELOPMENT PROGRAM PHASE 1 (TMWDP)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

Emphasis of Matter

400. Slow Project Take-off

I draw your attention to the fact that, the Project was budgeted to utilize Kshs 200,000,000 in the first year of its operation of which only Kshs 43,495,716 (22%) was received and Kshs 15,909,268 (8%) was spent. The Project has therefore taken off at a very slow pace considering that many activities that were budgeted for during the year were not carried out and are to be done in the subsequent year. This will have an impact on the overall project implementation and completion date. My opinion is however, not qualified in respect of this matter.

**STATE DEPARTMENT FOR WATER AND REGIONAL
AUTHORITY
FINANCIAL STATEMENTS FOR VOTE 146**

Basis for Adverse Opinion

401. Budgetary Control and Performance

401.1 Exchequer Release

The exchequer release of Kshs 17,496,332,836 as at 30 June 2015 was short of the approved budget figure of Kshs 21,134,920,067 leading to an unexplained variance of Kshs 3,638,587,231 as listed below:

No.	Item	Budget (Kshs.)	Actual (Kshs.)	Variance (Kshs.)
1	Recurrent	2,053,792,790	2,053,792,790	0
2	Development	19,081,127,277	15,442,540,046	3,638,587,231
	Sub total	21,134,920,067	17,496,332,836	3,638,587,231
3	A-I-A Recurrent	2,137,758,239	100,776	2,137,657,463
4	A-I-A Development	14,423,756,977	9,534,267,277	4,889,489,700
	Sub total	16,561,515,216	9,534,368,053	7,027,147,163
	Grant-Total	37,696,435,283	27,030,700,889	10,665,734,394

The exchequer shortfall negatively impacts on the planned and budgeted development projects for the year ended 30 June 2015

401.1.1 Recurrent and Development Grants

The Department received Kshs 2,053,752,790 recurrent grants as per the approved budget estimate

Further, the Department received Kshs.15,442,540,046 as exchequer releases out of the budgeted amount of Kshs 19,081,127,277 resulting to unexplained variance of Kshs 3,638,587,231 for the development grants

401.1.2 Appropriations-In-Aid Recurrent and Development Grants

The Department realized Kshs 100,776 as Appropriation in Aid recurrent grants out of the budgeted amount of Kshs 2,137,758,239 resulting to unexplained variance of Kshs 2,137,657,463

It was noted that the Department received Kshs 9,534,267,277 development A-I-A out of the budgeted amount of Kshs.14,423,756,977 resulting to unexplained variance of

Kshs.4,889,989,700. The schedule availed in support of this amount added up to Kshs.7,775,402,966 against the figure in the financial statements of Kshs.9,534,267,277 resulting to an unexplained variance of Kshs.1,758,864,311. Further, management did not provide an analysis of the donations that make up that figure.

It was noted that funds from various development partners amounting to Kshs.237,912,343 were not recorded in the Department's books. In addition loans amounting to Kshs.58,097,447 received in form of direct payments were not recorded in IFMIS system thus not forming part of the ledger transactions. Consequently, the A-I-A has not been recorded and accounted for properly.

401.1.3 Proceeds from Domestic and Foreign Grants

The proceed from domestic and foreign grants balance of Kshs.1,700,766,404 as at 30 June 2015 did not have analysis of the project and the donor entity.

During the year under review, the Department had a budget of Kshs.3,022,250,000 but the actual receipts were Kshs.1,700,766.405 resulting to an unexplained shortfall of Kshs.1,321,483,595. The huge shortfall will impact negatively on planned and budgeted programs and services.

401.2 Expenditure Budget Analysis

The comparison for budget and actual amount on the expenditure for the Department reflects an overall under expenditure of Kshs.11,276,790,634 as listed below;

No.	Item	Budget (Kshs.)	Actual (Kshs.)	Variance (Kshs)
1	Use of goods and services	571,417,623	495,491,802	75,925,820
2	Transfer to Other Gov't Units	5,421,116,017	3,082,760,703	2,338,355,313
3	Other Grants and Transfers	4,450,000	3,445,610	1,004,390
4	Acquisitions of non-financial Assets	31,099,296,254	22,237,791,143	8,861,505,111
	Total Over Expenditure	37,696,435,283	26,441,927,956	11,276,790,634

The huge under expenditure negatively impacts on the planned Department's programs and services.

401.3 Compensation to Employees

401.3.1 Unsupported Compensation to Employees on Unrelated Expenses

The Department budgeted to spend Kshs.600,155,389 on compensation to employees during the financial year. The actual expenditure was Kshs.622,438,698 resulting to an unexplained over expenditure of Kshs.22,283,309 However, The financial statement figure of Kshs.622,438,698 is at variance with the general ledger balance of Kshs.584,835,585 resulting to an unreconciled difference of Kshs.37,603,113.

The Department paid Kshs 6,319,747 as leave commutation to 345 members of staff who had already applied for leave and were paid leave allowance. This amounts to double benefit and is contrary to Government regulations. Further, an amount of Kshs.99,994,394 paid as salaries to the Department staff outside the payroll was not supported with relevant documents.

In addition, included in the above figure for employee compensation of Kshs 622,438,698 is an unrelated expenditure amounting to Kshs 40,537,700.

401.3.2 Irregular Expenditure on Seconded Employees to NWCP

The Department seconded 423 members of staff to National Water Conservation and Pipeline Corporation (NWCP) in various core operations, which include drilling, electro mechanical, land survey and water technicians. Although the Department has explained that the officers were seconded when the Department ceased to implement technical projects attached to the Boards, it is not clear and the Department has not explained why it continues to pay officers who are serving other statutory bodies or why the officers cannot be officially absorbed by the Institution.

In the circumstances, it has not been possible to ascertain the completeness, accuracy and propriety of compensation to employee's expenditure of Kshs.622,438,698.

401.4 Grants and Transfers to Other Government Units

The Department had an approved budget of Kshs 5,421,116,017 on this item against the actual expenditure of Kshs.3,082,712,904 resulting to an under absorption of Kshs 2,338,403,113.

Further, the manual cash book had a balance of Kshs 15,376,990,056 against the financial statements balance of Kshs 3,082,712,904 resulting to an unexplained difference of Kshs 12,279,461,847. Further, the IFMIS had a balance of Kshs 18,826,984,234 hence resulting to a variance of Kshs.15,744,271,330.

Included in the transfer to Other Government Units balance of Kshs 3,082,712,904 as at 30 June 2015 are unrelated expenses amounting to Kshs 76,598,869 resulting to overstatement by the same amount. An amount of Kshs 224,600,000 relating to this account was not recorded resulting to understatement of this item by the same amount.

In the circumstances, the correctness, completeness and accuracy of the transfer to Other Government Units balance of Kshs 3,082,712,904 could not be ascertained.

401.5 Acquisition of Assets

Included in the acquisition of assets balance of Kshs 22,237,791,143 as at 30 June 2015 are unrelated expenses relating to disbursements to other agencies of Kshs 7,598,591, Kshs.85,980,994, for general office stationaries, Kshs.11,157,069, for staff allowances and Kshs 6,374,955 on air travel.

No adjustments have been done to rectify this anomaly.

401.6 Other Grants and Transfers

The other grants and transfers balance of Kshs.3,445,610 as at 30 June 2015 composed of unrelated expenditure in respect of subscription to membership to international organizations. It is therefore not clear why the vote was posted with wrong expenditure and no amendment was effected to correct the anomaly.

402. Presentation of the financial statements

402.1 Accuracy and Completeness of Financial Statements

The financial statements presented for audit did not meet the basic requirements under the International Public Sector Accounting Standards under which they are purportedly prepared. The non-compliances include,

- (i) Some of the Department's bank accounts (projects) were not disclosed as required
- (ii) Notes to the financial statements do not offer details of the figures in the financial statements
- (iii) Included in the financial statements are accounts payable whereas the basis of preparation is cash accounting rather than accrual
- (iv) The Department did not have a comprehensive asset register
- (v) The comparative figures (opening balance) were the combined closing balances for the Ministry of Environment, Water and Natural Resources rendering the comparison impossible
- (vi) The cash flow statement shows adjustments during the year of Kshs 312,351,715 that have not been explained
- (vii) The financial statements as at 30 June 2015 did not meet the basic requirements as prescribed by the Public Sector Accounting Standards Board vide Treasury Circular No AG3/088/vol 6 (78) dated 1 July 2014

402.2 Statement of Cash flows

Under the statement of cash flows, the opening balance of Kshs 69,355,058 is at variance with the cash at the end of the previous period of Kshs.913,355,058. Further, included in the statement is an unexplained item described as adjustment during the year of Kshs 312,351,715. The item is used as a balancing figure in the cash flow statement.

In view of the differences in the figures, the accuracy and completeness of the financial statements could not be ascertained.

403. Pending Bills

Bills amounting to Kshs.134,606,297 chargeable to both recurrent and development votes for the Department for the year under review were not paid in the year but were instead carried forward to 2015/2016 financial year. Had those bills been paid and the expenditure charged, the statement of receipts and payments would have reflected a reduced surplus of Kshs 454,166,634 instead of Kshs 588,772,931 now shown. Failure to settle the bills during the year to which they relate distorts the financial statements for that year and adversely affects the provisions of the subsequent year to which they have to be charged.

Further, it is not clear as to why the pending bills were not paid since the State Department had recorded a surplus of Kshs 588,772,931 which was adequate to pay them off.

The list of the pending bills provided did not have the details of the tender number, contract sum, payment vouchers and the pending invoices to facilitate audit verification.

In view of the foregoing, it was not possible to ascertain the correctness, completeness and propriety of the pending bills balance of Kshs 134,606,297.

404. Cash and Bank Balances

404.1 Bank Reconciliation

Examination of the bank reconciliation statement as at 30 June 2015 revealed the following unexplained reconciling items:

404.2 Recurrent Account

The recurrent cash books reflected unpresented cheques totaling Kshs 97,280,760 including stale cheques of Kshs 10,303,321 and which had not been written back to cash book. Further, Kshs 18,504,602 was payments in bank not posted in cash book which is an indication of poor financial accountability.

404.3 Deposits and Retention Balance

Management did not provide bank reconciliation or bank confirmation certificate for the deposits account balance of Kshs 65,951,822 as at 30 June 2015.

404.4 Cash Balance Brought Forward

The cash balance brought forward of Kshs 69,355,058 is not in agreement with the 2013/2014 certified closing balance of Kshs 913,355,099 leading to an unexplained difference of Kshs.845,335,599.

In the circumstances, it has not been possible to ascertain the correctness, completeness and accuracy of the cash and bank balance of Kshs.68,127,950 as at 30 June 2015.

405. Other Grants and Transfers

During the year under review, the State Department of Water made a disbursement of Kshs.2,557,027,515 to four (4) projects. However, the project accounts as at 30 June 2015 had a cumulative balance of Kshs.891,012,754 resulting to an unexplained difference of Kshs.1,666,014,761 as shown below;

No.	Project Name	Disbursements (Kshs.)	Project F/S (Kshs.)	Variance (Kshs.)
1	Kenta Italy Debt Project	224,500,000	473,500,000	-249,000,000
2	Kenya Water Security and Climate Resilience	398,020,354	417,512,754	-19,492,400
3	KOSFIP	809,537,044	Not Provided	809,537,044
4	UTNRM	1,124,970,117	Not Provided	1124,970,117
	Total	2,557,027,515	891,012,754	1,666,014,761

Further, the management has not reconciled the two set of records.

In view of the foregoing, it has not been possible to ascertain the completeness and propriety of Kshs.2,557,027,515 disbursed to the four projects during the financial year ended 30 June 2015.

406. Accounts Receivables -Suspense and Clearance Account

Included in the Accounts Receivables balance of Kshs.1,492,351,793 as at 30 June 2015 is an amount of Kshs.1,490,519,078 described as suspense and clearance account which has not been explained. Further, imprests of Kshs.1,785,524 remained outstanding as at 30 June 2015. In addition, the accounts receivable balance of Kshs.1,492,351,793 differs with Kshs.844,000,041 reflected in Note 25.

In the circumstances, it has not been possible to ascertain the accuracy and recoverability of the Accounts Receivables balance of Kshs.1,492,351,793.

407. Irregular payment of Cabinet Secretary's Vehicle

The Department purchased a vehicle for the Cabinet Secretary at a cost of Kshs.7,000,000 contrary to Office of the President Circular Ref. No. CAB/56/2A of 7 July 2011 which gave the upper limit of Kshs.2,000,000. In the circumstances, the Department spent Kshs.5,000,000 irregularly and the amount has not been recovered.

Other Matter

408. Irregular Procurements

408.1 Irregular Contracts Payments

During the year under review, the State Department of Water spent Kshs.10,755,000, Kshs.2,591,808 and Kshs.5,187,240 on airtime, cleaning services and security contracts respectively whose contracts had expired on 30 June 2013 and were not

renewed. The total expenditure of Kshs.18,534,048 incurred on the expired contracts were in contravention of the Public Procurement and Disposal Act, 2005 No documents were provided to confirm that services were rendered

In the circumstances, the propriety of the expenditure of Kshs 18,534,048 could not be ascertained

408.2 Procurement of Laboratory Chemicals

The State Department of Water procured laboratory chemicals amounting to Kshs 2,214,700 without the requisition from user department Further, the chemicals were not included in the annual procurement plan for the department Consequently, the propriety of the expenditure of Kshs 2,214,700 could not be ascertained

408.3 Irregularly Contracted Professional Services

During the year under review, the State Department of Water paid consultants Kshs 5,452,000 for the preparation of National Water Coverage Study Report. However, it was not clear how the consultant firm was identified as there were no tender documents availed for audit verification to confirm the tendering process

As a result, it has not been possible to confirm the propriety and value for money for the expenditure of Kshs 5,542,000

408.4 Irregular Payments of Water Bills

During the year 2014/2015, the State Department of Water paid Kshs 11,502,665 to Nairobi Water and Sewerage Company in respect to accumulated water bills whose invoice did not disclose the period of consumption Further, it was established that the Department is not supplied with water from the water company as they use their own borehole water

Consequently, it has not been possible to ascertain the propriety of the expenditure of Kshs.11,502,665

409. Euro Bond Proceeds

During the year under review, the State Department of Water received Kshs 11,170,613,958 funded through the sovereign Bond However, the management has not provided any list of project(s) that were funded by the Eurobond proceeds In the circumstance, it has not been possible to confirm how the Eurobond funds were utilized

410. Investment in Motor Vehicles

The Department has eighty one (81) motor vehicles some of which belong to other Government Agencies and departments The Department does not maintain a clear register of its fleet and it was further learnt that thirty (30) motor vehicles were lying at various garages with some having been there for considerably long time grounded though some had minor mechanical defects. Further, forty nine (49) vehicles were not

seen during a physical verification, while a number had not operated for several months as per existing work tickets.

In the circumstances, it has not been possible to ascertain that the Department got value for money from the department's investment in motor vehicles to enhance its efficiency and effective service delivery.

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES

STATE DEPARTMENT OF AGRICULTURE FINANCIAL STATEMENTS FOR VOTE 152

Basis for Qualified Opinion

411. Unsupported Expenditure

411.1 Procurement of Seed Potato

Included in the statement of receipts and payments is a figure of Kshs 7,133,345,820.00 in respect of acquisition of assets. As reflected in Note 13 to the accounts, the Department incurred an expenditure of Kshs 700,718,840.00 on account of purchase of certified seeds, breeding stock and live animals, out of which, an amount of Kshs 25,000,000.00 was paid to a supplier for importation of seed potato from Netherlands. Information available indicates that the supplier was apparently single sourced contrary to Section 29 of the Public Procurement and Disposal Act, 2005. This notwithstanding, and the supplier having been paid the full price of Kshs.25,000,000.00, the payment was not supported with relevant documentation including an invoice and delivery note. Consequently, the propriety of the expenditure of Kshs 25,000,000.00 could not be ascertained.

411.2 Further, reflected in Note 13 to the financial statements, is an amount of Kshs 700,718,840.00 incurred on purchase of certified seeds, breeding stock and live animals, which includes an amount of Kshs 300,000,000.00 that is not supported by payment vouchers and other relevant documents. As a result, it is not possible to confirm on the adequacy of the procurement procedures in relation to these purchases and confirm if the expenditure of Kshs 300,000,000.00 is a proper charge to public funds.

411.3 Purchase and Transportation of Subsidized Fertilizer

In addition, reflected in Note 13 to the financial statements, is a figure of Kshs 3,744,961,384.00 in respect of acquisition of strategic stocks and commodities, which includes an amount of Kshs 2,129,128,557.70 paid to National Cereals and Produce Board (NCPB) as subsidy for purchase of fertilizer to be sold to farmers. However, apart from an invoice and a schedule raised by NCPB, no verifiable documents have been produced to confirm the actual quantity of fertilizer bought and receipted by NCPB, the quantity sold to farmers and the purchase and selling prices. Consequently, the propriety of the Kshs 2,129,128,557.70 expenditure on subsidized fertilizer charged to public funds could not be ascertained.

412. Bulking of Traditional High Value (Orphaned) Crops

The Department entered into a Kshs.30,095,000.00 Memorandum of Understanding (MOU) with Kenya Agricultural and Livestock Research Organization (KALRO) in which KALRO was to undertake a multiplication of various traditional high value (orphaned) crops including cassava, sweet potatoes, cow peas, sorghum, finger millet and beans, with an objective of promoting their consumption and reducing over-reliance on maize. The crops were to be distributed for cultivation in Arid and Semi-Arid Lands (ASAL) of Baringo, Makueni, Machakos, Tharaka Nithi, Kirinyaga, Kisumu, Homa Bay, Busia, Kwale and Taita Taveta Counties.

Although the amount of Kshs.30,095,000.00 was released to KALRO to undertake the project, no evidence has been adduced to confirm that the project was carried out, completed and crops distributed to the intended areas. The Kshs.30,095,000.00 expenditure was, therefore, not accounted for. Consequently, the intended objective was not met and, as such, the Government did not get value for money.

413. Purchase of Tecno S9 Tablets

The statement of receipts and payments for the year ended 30 June 2015 reflects an amount of Kshs.5,305,771,282.00 in respect of use of goods and services, which, and as reflected in Note 9 to the financial statements, includes an expenditure of Kshs.15,308,529.00 incurred on communication, supplies and services, out of which, Kshs.5,584,025.00 was incurred on the purchase of 413 Tecno S9 Tablets. However, no evidence was availed to confirm that proper procurement procedures were followed in accordance with the procurement legislation and its regulations and how or to whom the tablets were distributed. Consequently, the propriety of the Kshs.5,584,025.00 expenditure could not be ascertained as a proper charge to public funds.

414. Procurement of Fertilizer

The Ministry advertised, under Tender No. MOALF/SCMD/AGRIB/12/2014-2015, for supply and delivery of 54,950 metric tons of 8 lots - equivalent to 1,099,000 (50kg) bags of fertilizer. Out of the 21 firms which responded, 7 were found to be responsive and were awarded contracts to supply fertilizer at different prices per 50 Kg bag, depending on the region or point of delivery. Lot 1 was won by bidder No. 4 (M/s Global Link East Africa Ltd) to supply at a price of Kshs.2,655.00 per 50 Kg being the lowest evaluated bidder at a total cost of Kshs.265,500,000. Lot 2 was also won by bidder No. 4 at a price of Kshs.2,430.00 per 50 Kg bag with a total price of Kshs.364,500,000.00. Information available indicates that bidder No.4 declined to sign the contract agreement even after delivering their acceptance letter. Consequently, the Ministerial Tender Committee made a decision to disqualify the bidder and award the tender to the second lowest evaluated bidder who was bidder No. 6 (M/s Performance Parts Ltd) at total prices of Kshs.320,000,000.00 and Kshs.436,850,000.00, all totalling Kshs.756,850,000.00. No explanation has been given on why bidder No. 4 declined to sign their contract agreement. In addition, and despite our request for management to produce tender

documents and correspondences relating to the disqualified bidder, no documentation was availed

In awarding the contract to the second lowest evaluated bidder without giving justifiable reasons, the Ministry lost an amount of Kshs.126,850,000 00, being the difference between the amount paid to the second lowest evaluated bidder and the amount that would have been paid to the lowest evaluated bidder, as follows.

Lot No.	Bidder No.4	Bidder No.6	Difference
1	265,500,000.00	320,000,000.00	54,500,000.00
2	<u>364,500,000 00</u>	<u>436,850,000 00</u>	<u>72,350,000.00</u>
Total	<u>630,000,000.00</u>	<u>756,850,000.00</u>	<u>126,850,000.00</u>

The various Committees established pursuant to the Public Procurement and Disposal Regulations, 2006 did not follow the laid down procedures in this award and, as such, it is evident that the Government did not get value for money on this procurement

415. Funds Disbursed to Establish Revolving Funds

The Department entered into two separate Memoranda of Understanding (MOUs) with Kenya Agricultural and Livestock Research Organization (KALRO) and Agricultural Development Corporation (ADC) with the objective of disbursing amounts totalling Kshs 200,789,325 00 00 to the two organizations for carrying out Potato Seed Multiplication (Bulking).

During the year under review, ADC received an amount of Kshs 117,500,000 00 to produce 30,000 (50 Kg) bags of basic seeds, 3,000,000 invitro plantlets and 3,000,000 potato mini-tubers while KALRO received Kshs.27,889,325.00 for 34,000 invitro plantlets, 472,220 mini tubers, 12,400 (50 Kg) bags of basic seeds. The expenditure amounts are included under the Kshs 15,914,880,511.00 item of transfers to other Government Units. The Ministry also disbursed an additional Kshs 50,400,000 00 to ADC and Kshs 5,000,000.00 to KALRO for the same purpose but charged the expenditure under use of goods and services on account of specialized materials and services and operating expenses.

The MOUs provided that once the seed bulking was completed, the seeds would be sold to farmers and the proceeds used to create two Revolving Funds to sustain a continued increased production of basic seeds and certified seed potato. However, despite the Department having disbursed the total amount of Kshs 200,789,325 00 and the seed bulking project completed, the two Revolving Funds have not been commissioned or established, as a result of which, proceeds from sale of the produced seeds have not been accounted for. Consequently, the Government has not obtained value for money from this project.

416. Cash and Bank Balance

The bank balance of Kshs.296,860,242.00 as reflected in the statement of assets differs with the balance of Kshs 316,256,455.00 shown in the cashbook by an unexplained difference of Kshs 19,396,213 00 In addition, the cash and bank balance of Kshs 296,860,242 00 excludes a cash in hand balance of Kshs 12,264 35 despite the fact that it is reflected in both the cashbook and the board of survey report Under the circumstances, the accuracy of the bank balance figure of Kshs 296,860,242 could not be confirmed

417. Pending bills

As reported in note 27 1 to the financial statements, the Department had pending bills totalling Kshs.4,593,870,216 00 which were not settled in 2014/2015 but were carried forward to 2015/2016 Out of the total, bills amounting to Kshs 4,561,941,149 00 relate to the Development Vote while the balance of Kshs.31,929,067 00 relate to Recurrent Vote Had the bills been settled and the expenditure accounted for in 2014/2015, the financial statements for the year ended 30 June 2015 would have reflected a deficit (excess vote) of Kshs 4,590,508,482 00 instead of the surplus (under-expenditure) of Kshs 3,361,734.00 now shown

Failure to settle bills in the year to which they relate distorts the accounts for that year and adversely affects the budget for the subsequent year, to which they have to be charged

418. Transfers to Other Government Units

The figure of Kshs.15,914,880,511 00 reflected in the statement of receipts and payments under transfers to other Government units differs from the figures of Kshs 15,901,492,358 00 and Kshs.15,586,882,092 00 reflected under note 10 and supporting documents respectively In addition, no documentary evidence has been provided to confirm that the amounts transferred were received by the intended recipient Institutions In view of the foregoing, propriety of the transfers to other government units figure of Kshs 15,914,880,511 could not be confirmed.

Other Matter

419. Outstanding Imprest

The outstanding imprest balance of Kshs 1,705,004 00 reflected in the statement of assets includes balances of Kshs 558,814 00 and Kshs 78,500 00 relating to the periods 2012/2013 and 2013/2014 respectively, as well as Kshs 991,090 00 relating to 2014/2015, that had not been accounted for or recovered as at 30 June 2015 This is contrary to the requirements of Section 71(2) of the Public Finance Management Act, 2012, and Regulation 93(5) of the Public Finance Management (National Government)

Regulations, 2015 which require that imprest should be surrendered or accounted for within 7 working days after returning to duty station

420. Unapproved Airtime

Although Government Circular Ref OP/CAB/15 dated 5 March 2010 allows officers in job group M and above to receive, as a benefit, airtime ranging from Kshs 3,000 00 to Kshs 47,000 00 depending on job group, the Department provided airtime totalling Kshs 815,000 00 to officers in Job group L and below without approval of the Accounting Officer. No justification has been provided by the Accounting Officer for failing to adhere to Government policy

421. Non-Submission of Financial Statements and Failure to Account for Funds by Agricultural Sector Coordination Unit (ASCU)

The Agricultural Sector Coordination Unit (ASCU) is an Inter-Ministerial Secretariat established in 2005, under the Ministry of Agriculture, Livestock and Fisheries, to facilitate implementation and coordination of agricultural sector strategies in line with Vision 2030. The Unit comprises several ministries and receives funding from the Government and other development partners. However, the following unsatisfactory matters have been observed

- i. Since inception in 2005, the Unit, through the parent Ministry, has not submitted financial statements to the Auditor-General for audit as required by Section 7 of the Public Audit Act, 2003. Although the Ministry has indicated that financial statements were prepared for the year ended 30 June 2013, the statements were not submitted to the Auditor-General for audit.
- ii. Since inception, the Unit has not availed its records, documents, information and books of account to the Auditor-General for examination
- iii. Information available indicates that the Unit appointed M/s Deloitte & Touche as auditors. However, no explanation has been provided for appointing private auditors without the knowledge, consent and approval of the Auditor-General as required by Section 39 of the Public Audit Act, 2003

Although the management of the Secretariat has already been summoned and appeared before the Public Accounts Committee of the National Assembly over this matter, and the Committee directed the management to comply with the law and submit all records, documents and information together with financial statements for all the years since inception, the management has not heeded the directive. The position, therefore, remains as reported in 2013/2014

AGRICULTURAL INFORMATION RESOURCE CENTRE

Basis for Qualified Opinion

The statement of financial position reflects a receivables from non-exchange transactions balance of Kshs.21,172,802.00 which includes amounts owing from other debtors of Kshs.2,900,750.00. These debts relate to the period between November 1993 and November 2013, and no explanation has been provided for the failure to recover the long outstanding debts. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in the financial statements.

DEMONSTRATION FARMS FUND

Basis for Qualified Opinion

422. Winding Up of the Fund

The Fund has continued to record a declining financial performance over the last three financial years as shown below:-

Item	2014/2015	2013/2014	2012/2013
Total Receipts	1,504,494.00	87,375,469.00	143,872,993.00
Total payments	1,001.00	212,952,974.00	106,288,671.00
Surplus/(deficit)	1,503,493.00	(125,577,505.00)	37,584,322.00
Bank balances	124,401,242.00	122,897,749.00	249,543,365.00

This state of affairs is attributed to the issue of devolved functions of the Fund, as a result of which, all activities of Agricultural Training Centres (ATCs), which are the mainstay of the Fund, were taken over by County Governments. The County Governments took over all the assets and other functions, including: land, buildings, plant, machinery, bank balances and revenue streams of their respective ATCs, leaving the Ministry without any activities. Although information available indicates that the process of winding up the Fund has been commenced, no explanation has been given for failing to fast track it, in order to facilitate a formal handing over of the assets and liabilities of the Fund to the Counties.

STRATEGIC GRAIN RESERVE FUND

Basis for Adverse Opinion

423. Financial Performance

As reported in the previous years, the Fund incurred a net deficit of Kshs.1,284,297,766.00 bringing the accumulated deficit to Kshs.12,953,812,480.00 as at 30 June 2015. The continued loss-making trend has been attributed to the multiplicity of expenses including costs of acquisition of maize and gunny bags, storage

and fumigation, handling costs, agency fees and commissions charged by National Cereals and Produce Board (NCPB) as management fees on behalf of the Ministry over the years. This indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Fund to continue as a going concern. Consequently, the sustainability of the Fund is entirely dependent on the continued disbursement of grants by the Government.

424. Agency Agreement

As noted in the audit report of the financial year ended 30 June 2014, the current 6th Agency Agreement between the Ministry and National Cereals and Produce Board, which outlines the terms of engagement between the two parties, and which runs from 1 July 2013 to 30 June 2016, has still not been signed by the parties. Consequently, any contracts entered into and transactions carried out between the two parties may not be enforceable in law.

425. Receivables

The receivables balance of Kshs 7,258,988,608.00 reflected in the statement of financial position as at 30 June 2015 has not been supported with details and breakdown of individual debts and services rendered or any documentary evidence to support the balance. It was therefore not possible to confirm the accuracy, valuation and completeness of the receivables balance of Kshs 7,258,988,608.00.

426. Inventories

426.1 Obsolete and Unfit Stock of Maize

Records maintained at various depots of National Cereals and Produce Board, the custodian of strategic grains on behalf of the Ministry, indicate that some strategic maize has been infested by weevils and damaged beyond human consumption.

A review of quality assurance reports revealed that Celphos, the Board's preferred fumigation chemical has failed to kill the weevils and is therefore no longer effective, as the insects appear to have developed immunity against the chemical. Information available further indicates that although most stations (depots) had requested for a change of the chemical, the Board has not come up with an alternative. Consequently, 754,015 bags of maize, valued at Kshs 1,772,055,670.00 that were found to have been damaged beyond the 2.5% acceptable limit, are not fit for human consumption.

426.2 Unsupported Balance

The statement of financial position reflects an inventories balance of Kshs 12,564,726,688.00 which, according to Note 7, comprises stocks of maize valued at Kshs 12,561,675,316.00 and gunny bags valued at Kshs 3,051,372.00. However, no documentary evidence, including annual stock taking records, was available to support the balance.

Consequently, it was not possible to confirm that the carrying value of inventories figure of Kshs.12,564,726,688.00 as stated in the financial statements reflect the fair values of the inventories as at 30 June 2015.

427. Trade and Other Payables

427.1 Accuracy of the Balance

The trade and other payables balance of Kshs.1,885,262,704.00 as reflected in the statement of financial position differs with the supporting schedules figure of Kshs.1,950,973,069.00 by an unsupported and unreconciled difference of Kshs.65,710,365.00.

427.2 Disputed Balances

As reported in the previous year's report, trade and other payables balance of Kshs.1,885,262,704.00 as at 30 June 2015 includes payables amounting to Kshs.354,294,814.00 reported to be under dispute. The nature of the dispute has not been disclosed and no evidence had been adduced to confirm any efforts being made to resolve the said dispute.

Consequently, the trade and other payables balance of Kshs.1,885,262,704.00 as at 30 June 2015 could not be confirmed.

428. Accuracy of the Financial Statements

The statement of financial position reflects a net assets balance of Kshs.18,025,598,611.00 and a net reserves balance of Kshs.17,936,460,683.00, hence a variance of Kshs.89,137,928.00.

No explanation or reconciliation was provided for the variance.

DONOR FUNDED PROJECTS

AGRICULTURAL SECTOR DEVELOPMENT SUPPORT PROGRAMME GRANT NUMBER 31100071

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

Other Matter

429. Records maintained by the Project indicate that various ICT items belonging to the Project valued at Kshs 4,967,895 00 were stolen as a result of break-ins in several County offices, as follows

County	Items Stolen	Value (Kshs)
Machakos	Various	340,000 00
Bungoma	Various	536,500.00
Vihiga	Various	291,000 00
Meru	Various	487,000 00
Taita Taveta	Various	275,000 00
Kajiado	Various	420,700 00
Nyamira	Various	282,000.00
Nakuru	Various	376,000 00
Elgeyo Marakwet	Various	110,000 00
Kisii	Various	508,700 00
Kericho	Various	310,000 00
Kwale	Various	370,200 00
Tharaka Nithi	Various	150,800.00
Uasin Gishu	Various	210,000.00
Baringo	Various	193,995 00
Kirinyaga	Various	106,000 00
		<u>4,967,895.00</u>

Although reports on the theft were duly and promptly made to the Accounting Officer, the respective County security agencies, including County Commissioners, and the police from where police abstracts were obtained, no indication has been given on any steps taken to enhance security in all the County offices across the country to forestall a recurrence of further incidents of theft. My opinion is not qualified in respect of this matter.

DROUGHT RESILIENCE AND SUSTAINABLE LIVELIHOOD PROGRAMME - LOAN NO. 2100150028345

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

KENYA CEREAL ENHANCEMENT PROGRAMME - GRANT NUMBER 2000000623

Basis for Qualified Opinion

430. Low Absorption and Utilization of Funds

The financial statements indicate that out of the total available funds of Kshs.198,455,600.00 as at 30 June 2015, only Kshs.26,220,181.00 (or 13%) was so far utilized, fifteen (15) months after inception of the Programme.

No explanation has been provided for the low absorption and utilization of funds which raises doubts on whether the activities of the Programme will be completed by 31 December 2017, when the Programme is scheduled to be completed.

431. Compensation of Employees

The statement of receipts and payments reflects total expenditure of Kshs.26,220,181.00 out of which, Kshs.19,303,507.00 (about 74%) was incurred on personal emoluments for staff while the balance of Kshs.6,916,674.00 (or 26%) was utilized on purchase of goods and services. No reason or justification has been provided for giving more emphasis on personal emoluments for almost no work done and less emphasis on the core activities of the Programme. Consequently, value for money was not obtained from the total expenditure during the year towards achieving the core objective for which the Programme was initiated.

MAINSTREAMING SUSTAINABLE LAND MANAGEMENT IN AGRO-PASTORAL PRODUCTION SYSTEMS OF KENYA PROJECT NUMBER 3245, GEF ID 3370

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

RICE-BASED MARKET-ORIENTED AGRICULTURE PROMOTION PROJECT

Basis for Disclaimer of Opinion

432. Late Submission of Project Financial Statements

The financial statements of Rice-Based Market-Oriented Agriculture Promotion Project were submitted for audit on 2 November 2015, two months after the statutory deadline date of 30 September 2015. The project, therefore, is in contravention of the law.

433. Slow Pace of Project Implementation and Low Absorption of Funds

The Financing Agreement reflects the project's entry date of 16 August 2010 while Section 1.2 of the Project Information and Overall Performance in the financial statements indicate a start date of 1 February 2012. However, no activities were implemented until July 2014, when the construction of the Project administration block commenced in Mwea, Kirinyaga County, at a cost of Kshs.34,944,965.00. Further, the Project has only 21 months remaining to close the five (5) year Project. No explanation has been provided for failing to commence the Project promptly as a result of which, the objectives for which the Project was started may not be achieved before the Project closes.

434. Ineligible Expenditure

The Projects total expenditure of Kshs.34,944,965.00 reflected in the financial statements was not supported with relevant documentary evidence. Consequently, it was not possible to confirm whether the carrying costs of civil works as stated in the financial statements reflect the fair value of the expenditure as at 30 June 2015

435. Unconfirmed Receipts

The Project has been operating since inception without maintaining proper books of account as required by the Public Audit Act, 2003 and the Public Finance Management Act, 2012. This made it impossible to establish and verify the sums of money received and expenditure incurred on account of the Project and the assets and liabilities of the Project for the period up to 30 June 2015.

SMALL-SCALE HORTICULTURE DEVELOPMENT PROJECT - LOAN NO. 2100150014943

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

REPORT ON OTHER REGULATORY MATTERS

Further, and as required by the African Development Fund, I confirm that:

- i. The Project funds have been used in accordance with the conditions of the Loan Agreement with due attention to economy, efficiency and effectiveness for the purposes for which they were provided;
- ii. Counterpart funds have been provided and used in accordance with the conditions of the Loan Agreement;

- iii. Goods and services financed have been procured in accordance with the Loan Agreement and the Fund's rules and procedures;
- iv. Necessary supporting documents, records and accounts have been kept in respect of all Project activities;
- v. Adequate internal controls to monitor expenditure and other financial transactions and ensure safe custody of assets exist;
- vi. Ledger and fixed assets register for the Project's assets are maintained as required;

STANDARDS AND MARKET ACCESS PROGRAMME: GRANT NUMBER 2012/023-566

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

STRENGTHENING FERTILIZER QUALITY AND REGULATORY STANDARDS IN KENYA PROJECT - GRANT NUMBER: 2013 SHIP 001

Basis for Qualified Opinion

436. Under-Utilization of Funds

Although the project had an approved Work Plan for 2014/2015 of Kshs.25,193,405.00 for various activities, and although the donor disbursed the required funds for all the activities in the Work Plan, the project expended only Kshs.586,000.00 (about 2% of the funds) during the year: Kshs.260,000.00 on launching the project, Kshs.15,000.00 on business cards and Kshs.311,000.00 on imprest. Further, despite the availability of funds, the total expenditure of Kshs.586,000.00 was not settled during the year but was carried forward to 2015/2016

No explanation has been provided for failing to utilize all the available funds to carry out project activities as indicated in the approved Work Plan, or even for failing to settle the expenditure of Kshs.586,000.00 incurred during the year.

EASTERN AFRICA AGRICULTURAL PRODUCTIVITY PROJECT (IDA CREDIT NO. 4568-KE)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

Other Matter

437. Other Grants and Transfers

Included in the payments figure of Kshs 791,538,355 as at 30 June 2015 are other grants and transfers amounting to Kshs 169,080,027 comprising of expenditures of Kshs 35,029,984 and Kshs.134,050,043 in respect of transfers to other government agencies and other grants and transfers and payments respectively which could not be verified due to limited resources. In the circumstances, it is not possible to confirm whether the expenditures were incurred for the intended purposes

My opinion is not qualified in respect of this matter

KENYA AGRICULTURAL PRODUCTIVITY AND AGRIBUSINESS PROJECT (IDA CREDIT NO. 4592-KE)

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

Emphasis of Matter

438. Other Grants, Transfers and Payments

I draw attention to Note 8 7 to the financial statements which describes other grants and transfers and payments amounting to Kshs 435,285,214 23, comprising expenditures of Kshs 140,630,113 85, Kshs 272,168,283 23 and Kshs 22,486,817 15 in respect of Research grants, Farmer grants and Community Energy grants respectively which could not be verified due to limited resources

In the circumstances, it is not possible to confirm whether the expenditures were incurred for the intended purposes My opinion is not qualified in respect to this matter

**KENYA AGRICULTURAL PRODUCTIVITY AND SUSTAINABLE LAND
MANAGEMENT PROJECT (IDA CREDIT NO. TF 091616)**

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

**GREEN ZONES DEVELOPMENT SUPPORT PROJECT ADF LOAN
NO.2100150010844 (P-KE-AAD-004)**

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

REPORT ON OTHER REGULATORY REQUIREMENTS

Further, and as required by the African Development Fund, I confirm that.

- i. The Project funds have been used in accordance with the conditions of the Loan Agreement with due attention to economy, efficiency and effectiveness for the purposes for which they were provided;
- ii. Counterpart funds have been provided and used in accordance with the conditions of the Loan Agreement,
- iii. Goods and services financed have been procured in accordance with the Loan Agreement and in accordance with the Fund's rules and procedures,
- iv. Necessary supporting documents, records and accounts have been kept in respect of Project activities,
- v. Adequate internal controls to monitor expenditure and other financial transactions and ensure safe custody of assets exist and,
- vi. Ledger and fixed asset register for the Project's assets are maintained as required

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES

STATE DEPARTMENT OF LIVESTOCK FINANCIAL STATEMENTS FOR VOTE 153

Basis for Qualified Opinion

439. Accuracy of the Financial Statements

439.1 Use of Goods and Services

The figure of Kshs 578,279,676 00 reflected in the statement of receipts and payments, and which comprises expenditure on various items as shown under Note 13, differs from the figure of Kshs.557,632,862 95 extracted from the supporting documents

439.2 Acquisition of Assets

Similarly, the expenditure of Kshs.667,606,466.00 reflected in the statement of receipts and payments under acquisition of assets, includes expenditure on several items totalling Kshs 661,432,915.00 which, however, differ from the figure of Kshs 473,290,288.00 extracted from the supporting documents

No explanation has been provided for failing to reconcile the differences between the two sets of records, as a result of which, the accuracy of the financial statements could not be confirmed

440. Pending Bills

As disclosed in Note 26.1 to the financial statements, the Ministry, as at 30 June 2015, had pending bills totalling Kshs 259,636,678.40 which were not settled in 2014/2015 but were carried forward to 2015/2016 Had the bills been paid and the expenditure charged to the accounts for 2014/2015, the statement of receipts and payments for the year ended 30 June 2015 would have reflected a deficit (unauthorized excess vote) of Kshs 94,814,954 00 instead of the surplus (under-expenditure) of Kshs 164,821,724 00 now shown. Failure to settle bills during the year to which they relate distorts the financial statements for the year and adversely affects the budgetary provision for the subsequent year to which they have to be charged

441. Compensation of Employees

The statement of receipts and payments, and as disclosed in Note 12 to the financial statements, reflects an expenditure of Kshs 1,354,415,264 00 under compensation of employees which, however, differs by an amount of Kshs 466,499 00 from the amount

of Kshs 1,353,948,765 00 shown in the underlying supporting records and documents. No reconciliation has been provided for the difference, as a result of which, the accuracy of the expenditure of Kshs 1,354,415,264 00 reflected in the financial statements could not be confirmed.

442. Transfers to Other Government Units

The statement of receipts and payments, and as disclosed in Note 15 to the financial statements, reflects an amount of Kshs.2,281,473,937.00 as transfers to National Government entities. However, the amount differs with the amounts received in the entities totalling Kshs 1,609,691,510 00 by an unexplained and unreconciled amount of Kshs 671,782,427.00. Consequently, the completeness and accuracy of the figure of Kshs 2,281,473,937.00 shown in the financial statements as transfers to other Government units could not be confirmed.

443. Procurement of Goods and Services

Records and documents availed indicate that goods procured worth Kshs 16,021,500 00 were delivered and taken on charge in the stores before being inspected by the Inspection and Acceptance Committee as required by Regulation 17(3) and (4) of the Public Procurement and Disposal Regulations, 2006. In the circumstances, it was not possible to ascertain whether the Ministry got value for money on these procurements.

444. Outstanding Imprest

The statement of financial assets as at 30 June 2015 reflects an outstanding imprest balance of Kshs. 1,100,393 00 which differs with the Ministry's imprest register and other records amounts totalling Kshs 1,019,343 00 by an unreconciled and unexplained amount of Kshs 81,050.00. These imprest balances ought to have been surrendered or accounted for on or before 30 June 2015, as required by Section 71(2) of the Public Finance Management Act, 2012, and Paragraph 5.6.5 of the Government Financial Regulations and Procedures.

445. Unsupported Balance

The statement of assets reflects a balance of Kshs.156,679,108 00 under district suspense, which has, however, neither been supported by any documentary evidence nor its nature explained. No explanation has been provided for failure to support or explain the nature of the balance, as a result of which, its completeness and accuracy could not be confirmed.

446. Construction of Biosafety Laboratory at Kabete, Nairobi

The expenditure of Kshs 667,604,466 00 reflected in the statement of receipts and payments under acquisition of assets includes an amount of Kshs 119,429,639 00 paid

on construction of buildings, out of which, Kshs 9,622,629 00 was paid for the construction of a Biosafety Laboratory in Kabete, Nairobi.

As reported in 2013/2014, this project, with a contract price of Kshs 98,840,597 92 had commenced in 2012 with a scope of construction of the main laboratory block, electrical, mechanical and civil works, was to be completed on 3 February 2014

As at 30 June 2015, the project had not been completed although the contract period had long elapsed Information available indicates that the contract was mutually terminated when the works were at lintel level with roofing, plastering, painting, doors, windows and other elements of finishing having not been done. At the time of termination, the contractor had been paid a total of Kshs 48,997,418 35 (or about 49 6%) of the contract price

The remaining works have since been re-advertised and a new contractor awarded the contract on 20 January 2016 to complete the project at a new contract price of Kshs 69,012,866 00

Owing to the delay in completion of the project for over two (2) years now, it is not possible to ascertain whether this construction project will be completed or to determine the additional costs, if any, that would be necessary to complete the project, or the losses that the Ministry would suffer in the event that the project is not completed

447. Land

As previously reported in 2013/2014, the Government, through Gazette Notice No 890 dated 5 March 1957, allocated 1,400 acres, of land in Ngong, Kajiado County, to the Ministry for the construction of a veterinary training school, a veterinary farm, and related activities Information and documentation availed indicates that the land measures 1,500 acres The Ministry has not provided explanation for the difference of 100 acres Further information and records availed at the Ministries of Agriculture, Livestock and Fisheries and that of Lands, Housing and Urban Development indicate that some Government agencies and private organizations have irregularly taken possession of 509 acres

The Ministry has to date not obtained title of ownership of the land from the Ministry of Lands, Housing and Urban Development In the circumstances, it is not possible to confirm the extent of impairment of the value of the land, if any, due to the encroachment by Government agencies and private Institutions

VETERINARY SERVICES DEVELOPMENT FUND

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

DONOR FUNDED PROJECTS

**REGIONAL PASTORAL LIVELIHOODS RESILIENCE PROJECT: CREDIT NUMBER
5388 – KE**

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES

THE STATE DEPARTMENT OF FISHERIES FINANCIAL STATEMENTS FOR VOTE 154

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

STATE DEPARTMENT OF FISHERIES – REVENUE STATEMENT HEAD 000000-156 FISHING RIGHTS

Basis for Qualified Opinion

448. Unsurrendered Revenue

The revenue statement for the year ended 30 June 2015 reflects a revenue on hand balance of Kshs 4,473,244.00 that had not been surrendered to the Exchequer as at 30 June 2015, contrary to the requirements of Paragraph 6.4 5 of the Government Financial Regulations and Procedures.

**MINISTRY OF EAST AFRICAN AFFAIRS, COMMERCE AND
TOURISM**

**STATE DEPARTMENT OF EAST AFRICAN AFFAIRS
FINANCIAL STATEMENTS FOR VOTE 156**

Basis for Qualified Opinion

449. Unsupported Development Expenditure

During the year under review, the Department recognized revenue of Kshs 54,790,890 from Trade Mark East Africa (TMEA) and expensed the entire amount. Though copies of payment vouchers have been availed, other accompanying documentation to support these payments has not been made available for audit verification. This is in contravention of Section 68 2(a) of the Public Financial Management Act, 2012 which requires an accounting officer to ensure that the entity keeps financial and accounting records that comply with the Act.

Consequently, the propriety of the expenditure of Kshs.54,790,890 could not be ascertained.

450. Account Receivables – Outstanding Imprests

The statement of assets reflects accounts receivable of Kshs 5,457,472 as at 30 June 2015. Authority to Incur Expenditure (AIEs) issued to the Ministry of Foreign Affairs of Kshs 5,194,016 had not been accounted for as at 30 June 2015. Further, staff imprests and advances of Kshs 263,455 had not been recovered. This is in contravention of Section 43(1) (a) of the Public Finance Management Act, 2012.

451. Accounts Payables

The statement of assets reflects an amount of Kshs.2,477,957 in respect of accounts payables as at 30 June 2015. However, supporting documents in support of this amount were not availed for audit verification. Consequently, the accuracy and propriety of the accounts payables balance of Kshs 2,477,957 could not be ascertained.

452. Arrears of Subscriptions to East African Community

The East African Community (EAC) Treaty-1999, Chapter 28 Article 132 (1) stipulates that there shall be a budget for the organs and institutions of the Community, save for the self-accounting institutions, and Article 132 (4) provides that the budget of the Community shall be funded by equal contributions by the Partner States and receipts from regional and international donations and any other sources as may be determined by the Council. A review of the documentation availed revealed that the Country through the State Department of East African Affairs has not consistently paid its contributions.

resulting in arrears of Kshs 122,619,679 90 (USD.1,243,103) as at 30 June 2015. In addition, the Department has not provided reconciliation to show the correct position between the amount in supporting documents of USD 2,764,254 and that reflected in the financial statements of USD 1,243,103

Consequently, the East African Community Treaty was not honored which impacts negatively on the financial affairs of the East Africa Community and the integration agenda.

453. Inadequately Supported Expenditure

The State Department paid Kshs 2,887,840 to various suppliers but there was inadequate supporting documents like ETR and relevant approvals. An amount of Kshs.798,424 was also paid to four suppliers who were not in the list of pending bills as at 30 June 2014. Consequently, the propriety of expenditure of Kshs.3,686,264 could not be ascertained.

454. Statement of Cash Flows

Included in the statement of cash flows is an amount of Kshs 2,465,788 reflected as adjusted for adjustments during the year. However, no supporting documents were made available for audit review.

Consequently, it has not been possible to ascertain the correctness of the statement of cash flows.

Other Matter

455. Under Absorption of Funds

The Department had an overall budget estimate of Kshs 1,683,603,767 and spent Kshs 1,533,206,793 resulting in an under absorption of Kshs 150,396,974. This has a negative impact on the service delivery and achievement of overall objectives of the Department.

456. Under- Funding of the Department

During the financial year, the Department received Kshs 1,480,600,000 against the budgeted amount of Kshs.1,617,103,767 resulting in an underfunding of Kshs 136,503,767. Consequently, some planned activities of the Department could not be carried out due to the shortfall in funding.

457. Nil Opening Balances

The financial statements of the State Department did not have comparative figures for the financial year 2013/2014. Though it was explained that in the previous year the Ministry of East African Affairs, Commerce and Tourism included the figures for both the

Department of East African Affairs and Department of Commerce and Tourism, it is not clear why the figures could not be split to reflect each department's opening balances.

My opinion is not qualified in respect of these matters.

MINISTRY OF EAST AFRICAN AFFAIRS, COMMERCE AND TOURISM

STATE DEPARTMENT OF COMMERCE AND TOURISM FINANCIAL STATEMENTS FOR VOTE 157

Basis for Qualified Opinion

458. Expenditure Not Related to the State Department

Included in use of goods and services is an amount of Kshs 3,680,000 transferred on 16 February 2015 to cater for dinner during the 12 African Fine Coffees Association (AFCA) conference and exhibition held from 12 to 14 February 2015. There was no evidence that the activity was budgeted for by the State Department and there was no evidence that the service was procured as required by the Public Procurement and Disposal Act, 2005.

Further, although the money was transferred to the Coffee Directorate in the Ministry of Agriculture and Fisheries in contravention of Section 43(1) (a) of Public Finance Management Act, 2012 there is no evidence that the Authority to Incur Expenditure (AIE) has been accounted for.

Consequently the propriety of the procurement of the service worth Kshs.3,680,000 could not be confirmed.

459. Prior Year Adjustment

The statement of assets reflects a cash balance brought forward of Kshs 140,135,503 comprising of a bank balance of Kshs 84,800,821, cash in hand balance of Kshs 54,350,688 and accounts receivable of Kshs 983,994 as at 30 June 2014. However, these amounts have been netted off in 2014/2015 as prior year adjustment without any support.

Under the circumstances, the accuracy and validity of the prior year adjustments of Kshs 140,135,688 could not be confirmed.

460. Pending Bills

During the year under review, the Ministry had pending bills of Kshs 90,954,254.27 as indicated in Note 13.1. However, Annex 1 to the financial statements reflects pending bills of Kshs.106,164,502.07 as at 30 June 2015. The resultant difference of Kshs 15,210,244.80 has not been reconciled. Further, the contracts and services rendered or goods procured have not been shown. In addition, carrying forward

pending bills affects the budget of the subsequent year as they are treated as a first charge.

Under the circumstances the accuracy and propriety of the pending bills of Kshs.90,954,257.27 could not be confirmed.

Other Matter

461. Late disbursements of Grants

There are various instances when grants to semi-autonomous organizations are disbursed towards the financial year end and thus the grants are not utilized in the financial year that they were budgeted for. In some instances the funds are received in the following financial year which means the parastatals are unable to implement the various programs planned for as tabulated below;

Date	P.V. No	Parastatal Name	Amount Kshs	Class/Vote
29 June 2015	10111	Kenya Tourist Board	5,000,000	Development
28 June 2015	9628	Brand Kenya Board	12,000,000	Development
28 June 2015	9634	Brand Kenya Board	28,000,000	Development
28 June 2015	9634	Brand Kenya Board	12,000,000	Development
28 June 2015	9632	Kenya Utalii College	50,000,000	Development
29 June 2015	7469	Kenya Investment Authority	40,000,000	Recurrent
29 June 2015	9633	Kenya Investment Authority	50,000,000	Development
29 June 2015	9853	Kenya Investment Authority	<u>15,000,000</u>	Development
Total			<u>212,000,000</u>	

Further, the vote book status report shows cumulative development grants of Kshs.382,084,597 towards Kenya Tourism Board while the records of the Board reflect Kshs.168,000,000 development grants occasioning an unexplained difference of Kshs.214,084,597.

In view of the foregoing, budgeting and programs implementation by the State Corporation is compromised and the planned activities are not carried out.

462. Budgetary Control and Performance

462.1 Comparison of Budgeted versus Actual

A comparison of the development budget verses the actuals revealed the following;

Details		Original Budget (Kshs.)	Adjustments (Kshs.)	Final Budget (Kshs.)	Actual on Comparable Basis (Kshs.)	Budget Utilisation Difference (Kshs.)	% of Utilisation
		a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS							
Exchequer releases		0	0	0	5,485,605,000	5,485,605,000	0%
Proceeds from Sale of Assets		17,600,000	0	17,600,000	13,462,673	4,137,327	76%
Other Receipts	Licencing fee	2,687,938	0	2,687,938	51,174,607	-48,486,669	1,903%
	AIA	13,000,000	0	13,000,000	16,554,556	3,554,556	127%
Total		33,287,938	0	33,287,938	5,566,796,836	5,533,508,898	
PAYMENTS							
Compensation of Employees		346,306,889	14,351,155	360,658,044	359,468,085	1,189,959	100%
Use of goods and services		1,128,106,566	51,709,600	1,179,816,166	1,008,001,884	171,814,282	85%
Transfers to Other Government Units		2,040,678,939	691,422,211	2,732,101,150	2,612,939,966	119,161,184	96%
Other grants and transfers		276,500,000	0	276,500,000	268,287,966	8,212,034	97%
Social Security Benefits		0	0	0	0	0	0%
Acquisition of Assets		1,044,115,000	300,600,000	1,344,715,000	1,273,157,017	71,557,983	95%
Totals		4,835,707,394	1,058,082,966	5,893,790,360	5,521,854,919	371,935,441	94%

The budget was therefore under utilized by Kshs 371,935,441 representing about 6% under absorption. The under absorption impacts negatively on the planned and promised development activities.

462.2 Grants and Budget Execution

The supplementary budget of most government agencies under the Ministry exceeded 10% yet there is no evidence that there was unforeseen and unavoidable circumstances where no budget provision was made and there was an existing budgetary provision which was however inadequate. A tabulation of the over expenditure is as follows,

Recurrent Expenditure				
Agency	Approved Printed Estimates KShs.'000'	Supplementary Estimates KShs.'000'	Cumulative Expenditure KShs.'000'	% Revision
Kenya Investment Authority	180,000	40,000	220,000	22%
Export Promotion Council	260,565	200,000	460,565	77%

Development Expenditure				
Agency	Approved Printed Estimates KShs.'000'	Supplementary Estimates KShs.'000'	Cumulative Expenditure KShs.'000'	% Revision
Kenya Investment Authority	-	50,000	50,000	100%
Kenyatta International Conference Centre	151,000	200,000	351,100	132 5%
Bomas of Kenya	155,000	100,000	255,000	64 5%
Kenya Utalii College	63,780	50,000	113,780	78 4%
Catering and Tourism Development Levy Trustee	-	311,422	311,422	100%
Brand Kenya Board	-	40,000	40,000	100%

The supplementary estimates amounting to approximately Kshs 254 million (development vote) and Kshs 803 million (recurrent vote) did not comply with provisions of Article 223(5) of the Constitution of Kenya Section 21, 43(2)(c) and 44 of the Public Finance Management Act, 2012 and Section 40(9) of Public Finance Management Regulations, 2015

Consequently, the expenditure was incurred contrary to the fiscal responsibility principles and financial objectives of the economy

463. Payments towards Ronald Ngala Utalii Academy

During the financial year, the State Department made payments in respect of construction of Ronald Ngala Utalii Academy, Kilifi County as follows,

Payeee	Amount (Kshs.)
M/s Mulji Devlaji & Brothers	381,989,282
M/s Armtech Consulting Engineers	29,533,526
M/s Ujenzi Consultants	41,324,896
PKF Consultants	3,988,460
Geomeasures Surveyors	3,822,536
Baseline Architects Ltd	<u>39,341,300</u>
Total	<u>500,000,000</u>

However, the main contract agreement for the construction of Ronald Ngala Utalii College was signed on 14 May 2013 between Catering and Tourism Development Levy Trustees (now Tourism Fund) and various contractors when the Tourism Development Levy Trustees were not in office

Further, the current payments arrangement pose challenges for remedies since there is no contractual obligation between the State Department and contractors. The legal status of the proposed College is not certain as it is yet to obtain corporate status. In addition, payments to the consultants were based on the contract sum of Kshs 8,961,370,998 whereas the actual works have been scaled down into phases I with Kshs 4 923 billion and II with Kshs 4 038 billion of which phase II is yet to commence. Additionally, the project was awarded without the Ministry having funds contrary to Public Procurement and Public Finance Management Act, 2012. The Cabinet had approved a Project of Kshs.1,94 billion which has now escalated to Kshs 8 9 billion

Under the circumstances, the propriety and legality of the expenditure of Kshs 500,000,000 on Ronald Ngala Utalii Academy could not be confirmed

464. Open Plan Partitioning Contract at Utalii House 4th Floor

The Ministry used restricted tendering for the works and invited 10 contractors to quote for open plan partitioning contract at the sum of Kshs 20,986,736 but the source of the contractors has not been explained. The contract was awarded vide minutes of Ministerial Tender Committee meeting No MTC 24/2013/2014 dated 9 June 2014 notwithstanding the freezing of award of contracts by the National Treasury. The contract agreement was signed on 27 July 2014 after the first instalment was paid of Kshs.8 5 million. Payments were made without completion of works and certificate of works carried out and certified for payment

Consequently the management did not adhere to the Public Procurement and Disposal Act, 2005 and Regulations 2006 (Revised 2013) in the procurement

465. Payment of Irregular Pending Bills

During the year the Ministry paid the following suppliers' invoices that were brought forward from previous financial year

Date	P. V. No	Payee	Amount (Kshs)
22 Jan 15	2112	Tamia Ltd	9,119
22 Jan 15	2111	Tamia Ltd	45,595
18 March 15	409	Mocam Security	19,488
25 June 15	4800	Bechy Tours	674,105
25 June 15	4788	Aimat Company	188,952
25 June 15	4785	Karoza Agencies	92,914
25 June 15	4783	Jebrive Investment	538,204
25 June 15	4804	Lijo Gen. Supplies	<u>495,000</u>
		Total	<u>2,068,377</u>

However, the suppliers and the amounts could not be confirmed from the list of pending bills for 2013/2014 financial year. In the circumstances, the propriety of the expenditure of Kshs 2,068,377 could not be ascertained.

My opinion is however not qualified in respect of these matters.

REVENUE STATEMENT - STATE DEPARTMENT OF COMMERCE AND TOURISM - VOTE 1181

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

KENYA NATIONAL COMMISSION ON HUMAN RIGHTS

FINANCIAL STATEMENTS FOR VOTE 201

Basis for Qualified Opinion

466. Pending Bills

Records maintained by the Commission reflect pending bills totalling Kshs 7,871,000 00 relating to financial year 2014/2015 that were not settled during the year but were instead carried forward to year 2015/2016. Information available indicates that this situation arose due to non-release of exchequer by the National Treasury. Had the bills been paid and expenditure charged to the accounts for 2014/2015, the statement of receipts and payments would have reflected a net deficit of Kshs 10,733,000 00 instead of Net deficit of Kshs 2,862,000.00 now shown.

NATIONAL LAND COMMISSION

FINANCIAL STATEMENTS FOR VOTE 202

Basis for qualified opinion

467. Over Expenditure

The statement of receipts and payments reflects expenditure of Kshs.535,275,993 on use of Goods and Services against a budget of Kshs.354,208,829 for the year under review resulting in an excess expenditure of Kshs.181,067,164. Management has not availed authority from Treasury for this over expenditure in line with Public Financial Management Act Regulations of 11 October, 2013 Section 61B (sub-regulation 1) which provides that "Except as provided for in the Act and these regulations, an Accounting Officer of an entity may not authorize payment to be made out of funds earmarked for specific activities for purposes other than these activities". In the absence of the authority from National Treasury, the propriety of the excess expenditure totalling Kshs.181,067,164 could not be confirmed.

INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION

FINANCIAL STATEMENTS FOR VOTE 203

Basis for Qualified Opinion

468. Irregular Payment of Pending Bills

The Statement of financial performance for the financial year 2014/2015 reflects an expenditure of Kshs 2,462,476,000.00 for general expenses which include Kshs 2,018,715,547 85 relating to payment of pending bills for 2012 / 2013

However, a sample test on paid pending bills totaling Kshs.846,196,395.60 have revealed anomalies as follows -

468.1 Contract for Supply, Delivery, Installation, Configuration, Training, Testing and Commissioning of Electronic Voter Identification Devices

Examination of the Contract signed on 11 December 2012 for the supply of and delivery, installation, configuration, training, testing and commissioning of electronic voter identification devices reveals that 30,000 "hand held devices", 30,000 SD CARDS, 30,000 carry bags and 30,000 additional batteries were procured at USD 16,651,139 13

Examination of Clause 3 8 of the Special Conditions of Contracts indicates that an upfront payment of USD 2 5 Million through a letter of Credit, was mandatory before execution of the contract However, the Contractor through letter Ref 13 FT002AA dated 16 January 2013 indicates that IEBC had not issued a letter of credit, therefore, proposed a change of specification to deliver a "portable laptop solution"

Although there was no new contract signed between the parties, correspondences indicate that the Commission irregularly accepted change in specifications with differences in prices and value of goods and services, and the contractor delivered portable laptops as follows -

S/No	Date of Delivery	Delivery Note	Item Description	Quantity
1	12.2 2013	0123	Laptops	1175
2	13 2 2013	0121	Laptops	10,955
3	14 2 2013	0122	Laptops	3270
4	21 2 2013	0126	Laptops	14600
Total				30,000

In this circumstance, it is evident that value for money was not obtained in payment of USD 16,651,139.13 due to change of specifications, inadequate time to train and therefore, inability to effectively use the laptops during the elections. Some officers of the Commission have been investigated for procurement violation by EACC and the matter is in court.

468.2 Procurement of Additional 4,600 Electronic Voter Identification Devices (EVIDs)

Examination of e-mail communication between IEBC and the Contractor on 30 January 2013 indicates that the Commission ordered for extra 4,000 units of Voter Identification Devices whose prices would be similar to those of the 30,000 units earlier ordered and contracted for.

The additional hand held EVIDs were purportedly received as follows: -

S/No.	Delivery Date	Delivery Note	Item Description	Quantity
1	26.2.2013	0125	Hand Held EVIDs	2,000
2	28.2.2013	0124	Hand Held EVIDs	2,600
Total				4,600

The Contractor submitted an invoice dated 6 February 2013 amounting to USD 4,628,746, which was validated as a pending bill by The National Treasury's Internal Audit. The National Treasury issued additional funding amounting to Kshs.388,562,633.00 (USD 4,628,746) for the payment of the pending obligation.

However, the incoming CEO reviewed the invoice and considered that there was no adequate grounds to support the invoice claim amounting to USD 2,075,572.00, therefore, paid USD 2,553,174.80 (Kshs.259,020,516.80) to discharge the obligation during financial year 2014/2015.

In the circumstance, the responsibility for the procurement of the additional electronic voter identification devices rests with the past management.

468.3 Irregular Payment for Transportation of Election Materials

Examination of payment voucher number 482 dated 27 November 2014 reveals that a company was irregularly paid Kshs.50,487,440.00 purporting that it was contracted to transport election materials during the financial year 2012 / 2013, however, audit has established through Registrar's letter Ref. No. CR13 BN/2014/312279 dated 10 May 2016 that the company was registered on 12 September 2014.

In an effort to defeat audit trail, the Commission accepted an irregular request through unreferenced letter dated 13 October, 2014 in which the company purports that payments due to another company previously contracted by the Commission should be paid to them.

In addition, the Commission purports that the company transported election materials using twenty seven (27) vehicles. However, verification of records maintained in ten (10) regions disclosed as stations of their service reveals that only five (5) vehicles were used, and not the twenty-seven which resulted in an excess payment of Kshs 42,679,460 00.

In response to a Draft Audit Report Ref IEBC/2014-2015/(7) dated 8 March 2016, the Commission provided additional documents on ten (10) instead of twenty two (22) vehicles, an indication that the Commission is unable to provide satisfactory explanation, information and assistance in writing

Verification of the additional documents undertaken on 1 April 2016 in which the Commission has "noted" through letter Ref IEBC/FIN/1/VOL X(18) dated 6 June 2016 reveals further anomalies as follows -

- (i) Information contained on Counter Requisition and Issue Voucher, S11 Number 0003776 in support of the use of vehicle registration number KBR 829 S at Kakamega Region has not been signed by the requisitioning, issuing and receiving officers. Designations of responsible officers and date of transactions are not indicated on the submitted S11s.

In addition, S11 number 0003776 is not among the issue notes maintained among records at Kakamega Region and verified during audit inspection in February 2016.

- (ii) Information contained in Counter Requisition and Issue Voucher, S11 Number 0004221 purports that vehicle registration number KAU 706 Z was working at Nakuru Region while at the same time it was working in Teso North/ South through another S 11 number 5035244 whose records appear to have been altered

In addition, Examination of Counter Requisition and Issue Voucher, S11 Number 0003612 show that vehicle registration number KAU 143 Y was working at Nakuru Region, while the same vehicle is purported to have been working in Isiolo North/ South at the same time

Further, the Commission purports through Counter Requisition and Issue Voucher, S11 Number 0004236 that Vehicle registration No KBR 624 H was working in Nakuru. However, verification of field records during the month of February 2016 show that the vehicle was not used in the Region during election

- (iii) Information contained in Counter Requisition and Issue Voucher, S11 Number 5035485 shows that vehicle registration number KAS 395 K was

working in Meru Region. However, the same Vehicle was working in Kitutu Chache Constituency at the same time.

- (iv) Examination of Counter Requisition and Issue Voucher, S11 Number 5035206 reveals that vehicle registration number KBR 205 G was working in Malindi Region. However, the same vehicle was working in Mandera North/South Constituencies at the same time.
- (v) Examination of Counter Requisition and Issue Voucher, S11 Number 5035471 shows that vehicle registration number KAJ 482 N was working in Malindi Region. However, the same Vehicle was working in Rongai / Bahati Constituencies of Central Rift Region at the same time.

In addition, the same vehicle number KAJ 482 N through the same Counter Requisition and Issue Voucher, S11 Number 5035471 is purported to have been working in Mombasa. However, the same Vehicle was working in Rongai / Bahati Constituencies of Central Rift Region at the same time.

- (vi) Although the Commission has now claimed through counter Requisition and Issue Voucher, S11 Number 0003771 that Vehicle registration No. KAC 370 J was working in Machakos, a field verification undertaken in February 2016 shows that the vehicle was not used in the Region.

Similarly, information contained on Counter Requisition and Issue Voucher, S11 Number 0004212 indicates that Vehicle registration No. KAG 164 L was working in Kisumu. However, a field verification during the month of February 2016 revealed that the vehicle was not used in the Region during election.

- (vii) A further evidence of fraudulent accountability is on the information contained in two (2) different photocopies of the same Counter Requisition and Issue Voucher number 0003769 dated 3 March 2013 for KBK 910 X which is purported to have delivered Polling Booths to Nakuru. The signature on the issue note is deleted on a copy presented later as evidence.

468.4 Examination of Two (2) Payment Vouchers Totalling Kshs.79,106,538.00

Examination of records show that a company was paid through Payment Voucher Number 298 dated 23 October 2014 an amount of Kshs.6,177,450.00 and another unsigned copy of payment voucher submitted on 18 April 2016 with an amount of Kshs.72,929,088.00 for transportation of election materials during the financial year 2012/2013.

However, information contained in the minutes of tender committee meeting no 39 held on 13 February 2013 shows in item no 5 that the transporter was authorized to supply 75 trucks for transport services at a cost of Kshs.32,610,060.00 There is no justification for the excess payment of Kshs 46,496,478.00

In addition, procurement of these services did not comply with law as the Commission has not provided -

- (a) Tender Registers contrary to Section 60 (5) of the Public Procurement and Disposal Act, 2005.
- (b) Tender Opening Committee Minutes contrary to Section 60 (8) (a) of the Public Procurement and Disposal Act, 2005
- (c) Notification of Awards of Contracts contrary to Section 67 (1) and (2) of the Public Procurement and Disposal Act, 2005.
- (d) A written and signed contract contrary to Section 68 (1) and (2) of the Public Procurement and Disposal Act, 2005
- (e) Inspection and Acceptance Committee Certificate confirming the delivery of electoral materials contrary to Section 66 (5) of the Public Procurement and Disposal Act, 2005

Further, examination of availed tender document submitted to the Commission on 18 December 2012 is inaccurate as some documents attached to it are dated 16 and 27 January 2016

468.5 Examination of Payment Vouchers Nos. 396 and 386 Totalling Kshs.92,342,000.00

Although Section 26 (3) (b) of the Public Procurement and Disposal Act, 2005 requires that all Procurements should be undertaken as per the threshold matrix whose maximum amount set out in the regulations for use of quotation is Kshs 1,000,000 00 for goods, the Commission issued quotations as follows -

PV No.	Quotation No.	Item Description as per the order	Amount (Kshs)
396	IEBC/154/2012-13	Print simplified regulations and tallying forms	52,470,000 00
386	IEBC/116/2012-13	Finger Prints, Pads & Indelible Ink	39,872,000 00
Total			92,342,000.00

The Commission has not justified the use of quotations instead of open tender method of Procurement, which would have guaranteed competitive bidding and the requisite value for money as required under Section 68 (1) (b) of the Public Finance Management Act, 2012

468.6 Examination of Payment Vouchers Nos. 218 and 327 Totalling Kshs.365,239,900.80

Examination of Payments Vouchers reveals that two companies were contracted and paid as follows: -

PV NO.	Tender Number	Item Description as per the order	Amount as per order (Kshs)
218	IEBC 12/2011-12	Supply & Delivery of 49,600 transparent Ballot Boxes	109,119,900.80
327	IEBC/01/2012-13	Supply/Delivery of 337 Printers Cannon IR 5035	256,120,000.00
Total			365,239,900.80

The following was observed:

- (i) Although, the company was paid Kshs.220,400,000.00 for the supply of 290 printers, no reasons have been given for failure to supply the 337 printers contracted.
- (ii) The Commission has not availed copies of the advertisement, tender documents and registers; evaluation reports and minutes of the tender evaluation committee.

In the circumstances, therefore, I am unable to confirm that the payment made in respect of goods and services and paid as pending bills at a total cost of Kshs.846,196,395.60 was lawful and effective as required under Article 229(6) of the Constitution.

469. Property, Plant and Equipment Movement Schedule

Examination of note 18 to the financial statements presented for audit show that Computer Equipment with a net book value (NBV) of Kshs.42,531,000.00 were confirmed during a meeting held on 11 March 2016 at the Chief Executive Officer's office as having been transferred as follows: -

469.1 Transfers to Burundi

Records show that 150 Electronic Voter Identification systems (EVIDs) were transferred to Burundi during the year under review. However, audit has revealed unsatisfactory matters as follows: -

- (i) The Chairman of the National Independent Electoral Commission of Burundi requested the Government of Kenya through Letter Ref NIEC/472/2014 dated 9 December 2014 to support and assist them with -
 - (a) Unspecified number of Ballot Boxes
 - (b) Three or Four (4 Wheel Drive) Vehicles
 - (c) Unspecified number of Photocopier machines
 - (d) Unspecified number of Laptops

- (ii) In response, the Embassy of Kenya in Bujumbura through a letter Ref KEBU/CON /POL./05A VOL 1 (21) dated 10 December 2014 reminded the Chairperson of IEBC of his proposal during a visit to Burundi in November 2014 that Kenya could support Burundi's Electoral Process with 3,000 ballot boxes. The Government through the Chief of Staff and Head of the Public Service approved the request for 'full' support to a sisterly state through a letter Ref OP/CAB 31/29 A dated 27 January 2015.

- (iii) In executing the Government approval, the Commission Secretary/ CEO of IEBC instructed for free transfer/dispatch of 150 EVID laptops in accordance with Section 129 (1), (2) and (3) of Public Procurement and Disposal Act, 2005 in which a disposal committee was formed on 14 April 2015 to dispose "unserviceable, obsolete or surplus stores".

- (iv) During a minuted meeting held on 11 March 2016, the Chief Executive Officer stated that the commission had considered the rate at which the EVIDS become obsolete and the fact that they might not be used in the next general elections, therefore, donated 150 EVIDs to Burundi.

On the other hand, while responding to the proposed Draft Audit Report dated 8 March 2016, the Commission Secretary / CEO through a letter Ref IEBC/FIN /1/Vol IX (52) dated 21 March 2016 confirms the transfer of EVIDs and BVRs that were in good working condition.

The Commission further explained during a meeting held on 30 May 2016 with the Auditor-General that the EVID laptops were cleaned before being transferred to Burundi through the Ministry of Foreign Affairs. However, the transfer of voting laptops whether "cleaned" or not is a sensitive matter that required the Commission to involve stakeholders specified in its Act.

In addition, the equipment were donated free of charge at a time when the Commission has budgetary constraints, and, not able to pay pending bills amounting to Kshs.1,301,913,817.58 and still intended to buy 40,000 new kits.

469.2 Transfers to Ministry of Devolution

Although 200 Biometric Voter Registers (BVRs) have been explained as having been transferred to Ministry of Devolution, the Commission has not availed any document regarding these transfers and the purpose for the transfer which would contravene Section 72 (3) of the Public Finance Management Act, 2012.

469.3 Loss of 48 BVR and Generators at Emgwen Constituency, Nandi County

Audit has also revealed that 48 BVR Valued at Kshs.9,437,658.72 disclosed in Note 18 of the financial statement as disposed were actually stolen from Kapsabet Warehouse, North Rift Region on 23 August 2014. Although the matter was reported to the police, no culprit has been apprehended. In this circumstance, the security of data in terms of back up and control of unauthorized access of both machine and database may not be assured and confirmed by the Commission.

469.4 Generators and Solar Panels

Examination of the fixed assets register and other related records reveals that 68 Olympia generators made in United Kingdom (UK) and 1329 solar panels type SLP42.5-12 maximum power voltage 72.2 voltage weighing 6 kgs are lying idle in various regional offices but have not been disclosed in any of the IEBC inventory.

Due to the incompleteness of records made available for audit, it is not possible to establish the value of these assets, the mode and purpose of their procurement.

470. Inaccurate Pending Bills

Note 20 to the financial statements reflects a figure of Kshs.1,301,913,817.58 against pending bills as follows: -

Particulars	Amount (Kshs.)
17 Regions	150,912,156.57
Legal	855,317,251.68
Headquarters	295,684,409.33
Total	1,301,913,817.58

A due diligence check of Pending Bills in fifteen (15) Regions, has revealed that Pending bills amounted to Kshs.132,586,361.21 and not Kshs.140,181,106.57 reported by the Commission. No reconciliation has been provided, therefore, accuracy and

validity of pending bills amounting to Ksh.150,912,156.57 as reported in the financial statement could not be confirmed.

471. Irregular Procurement of Election Materials

In my report for 2012/2013, unsatisfactory matters were reported in relation to procurement of several election equipment including Biometric Voter Registration (BVR) Kits at a cost of Kshs 6.4 billion, Electronic Voter Identification Devices (EVIDS) Kshs 1.3 billion, Universal Poling Kits (UPK) at Kshs 1.53 billion and Electronic Results Transmission System (ERTS) Kshs.25.8 million. The Commission did not have an approved Procurement Plan for the year, therefore the above items were procured contrary to the provisions of Public Procurement and Disposal Act, 2005.

472. Weaknesses in Controls

Based on the above findings, mismanagement of public resources arose due to weaknesses in controls relating to transport logistics and failure to use procurement plan as a tool of control leading to variations and ill-timed procurement. Consequently, I recommend that IEBC should enhance its systems that will respond to procurement of goods and services, certification of delivery, monitoring and evaluation of services.

PARLIAMENTARY SERVICE COMMISSION

FINANCIAL STATEMENTS FOR VOTE 204

Basis for Qualified Opinion

473. Foreign Travel Expenditure

Examination of the Commission's payment records indicate that amounts totaling Ksh 79,501,127 00 were paid to various travel companies on account of issuing air tickets during the year under review. These payments were not supported with documentation including copies of confirmed air tickets, boarding passes and passport entry/exit stamps.

In the circumstance, it is not possible to confirm the validity and legality of payments totaling Kshs 79,501,127.00 to travel companies.

474. Office and General Supplies and Services

During the year under review the Commission paid a total of Kshs.81,131,550 00 on account of goods under office and general supplies relating to fraudulent procurement of tonners whose documents are held at the Directorate of Criminal Investigation, hence unavailable for audit review.

In the circumstance, it has not been possible to confirm that goods valued at Kshs 81,131,550 00 were lawfully and effectively acquired under Article 229(6) of Constitution.

475. Pending Bills

Examination of Pending Bills reveals that bills totaling Kshs 6,358,500 were outstanding as at June 2015. Information and documentation availed indicate that the Commission ordered and received Toner Cartridges for computers, photocopiers and equipment that could not be physically verified in the Commission.

Other Matter

476. Imprests

Examination of imprest payments totaling Kshs 8,931,430 00 to staff attached to various committees and subsequent surrender documentation revealed the following irregularities -

476.1 A payment of Kshs 4,400,570.00 on account of Public Investment Committee meeting was not supported with documentation including the list of attendees.

476.2 An officer of the Technical Evaluation Committee was issued with an imprest totaling Kshs 1,057,000 00 out of the approved amount of Kshs.2,114,000 00 to facilitate Technical Evaluation Committee which was involved in the evaluation of the

sub-contractors for the proposed multi-storey office block. No documentary evidence has been produced to support this payment.

476.3 Two imprest surrenders of Kshs 1,462,640 00 and Kshs 795,720 00 were not supported with the relevant documentary evidence, hence the propriety of these payments could not be confirmed.

476.4 The Commission paid Kshs.1,215,500 00 to a local company in respect of accommodation provided to thirty three (33) National Lands Committee members. No documentary evidence has been produced to support the procurement and payment.

My opinion is not qualified in respect to this matter.

PARLIAMENTARY CAR LOAN SCHEME FUND

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

PARLIAMENTARY MORTGAGE SCHEME FUND

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

**JUDICIAL SERVICE COMMISSION
FINANCIAL STATEMENTS FOR VOTE 205**

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

Emphasis of Matter

477. Unaccounted for Imprest

I draw attention to Note 5 to the financial statements which indicates outstanding imprests as at 30 June 2015. During the year under review, imprests totalling Kshs 3,336,692 35 were issued as per records maintained by the Commission and had not been surrendered as at 30 June 2015

My opinion is not qualified in respect of this matter.

Other Matter

The Commission does not have a disaster recovery program and backups in place to assure on data security and integrity. Further, internal audit reports were not availed for audit review. Minutes of the audit committee meetings were also not availed

My opinion is however, not qualified on this matter

**COMMISSION ON REVENUE ALLOCATION
FINANCIAL STATEMENTS FOR VOTE 206**

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

PUBLIC SERVICE COMMISSION
FINANCIAL STATEMENTS FOR VOTE 207

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

**SALARIES AND REMUNERATION COMMISSION
FINANCIAL STATEMENTS FOR VOTE 208**

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

TEACHERS SERVICE COMMISSION FINANCIAL STATEMENTS FOR VOTE 209

Basis for Qualified Opinion

478. Going Concern

During the year 2014/2015, the Commission incurred a deficit of Kshs.4,577,727,356 (2013/2014 – surplus: Kshs.221,016,694) resulting in an accumulated deficit of Kshs.2,595,271,851 as at 30 June 2015. Further the current liabilities of Kshs.5,251,126,568 exceeded the current assets of Kshs.1,244,081,251 by a negative working capital of Kshs.4,007,045,317 as at 30 June 2015. The management has attributed the poor performance to low funding from the National Treasury. The financial statements of the Commission have therefore been prepared on a going concern basis on the assumption of continued support from the Government and its creditors.

479. Stores and Cash losses.

Included in the receivables from exchange transactions balance of Kshs.372,433,024 as at 30 June 2015, are unrecoverable losses of stores and cash losses amounting to Kshs.10,487,516 and Kshs.2,928,398 respectively, which as previously reported occurred between the years 1988 and 2000. The matter was investigated and the Director of Public Prosecutions directed that the suspect be charged with the offence of stealing by person employed in the Public Service contrary to Section 280 of the Penal Code. A review of the matter during the year under review indicates that the suspect was charged in a Court of Law, and the case was ongoing as at the date of this report.

In addition, included in the balance of Kshs.372,433,024 is a long outstanding Pay As You Earn (PAYE) amount of Kshs.128,392,939 which was paid to Kenya Revenue Authority (KRA) on account of former teachers who deserted their jobs and their salaries were returned to the Commission. The PAYE had not been recovered as at the date of this report.

In the circumstances, it has not been possible to confirm the recoverability of the receivables from non-exchange transactions totalling Kshs.141,808,853 as at 30 June 2015.

480. Property, Plant and Equipment

The property, plant and equipment balance of Kshs.2,532,467,445 as at 30 June 2015 includes Kshs.805,166 being the residue value of eleven (11) motor vehicles procured between 1996 and 2004 for a total cost of Kshs.26,450,711. Although the eleven (11) motor vehicles were still in good working condition as at the date of this report, their

reported residue value of Kshs 805,166 as at 30 June 2015 appears way below their market value

In the circumstances, it has not been possible to confirm that the property, plant and equipment balance of Kshs 2,532,467,445 as at 30 June 2015 is fairly stated

Other Matter

481. Budgetary Control and Performance

The Teachers Service Commission had a total development budget of Kshs 135,000,000 voted for the financial year 2014/2015 for the construction of TSC County offices. However, the Commission did not receive any development funds during the year under review resulting in 100% under absorption as indicated -

Item	Budgeted Allocation 2014/2015	Actual 2014/2015	Under Absorption	Absorption in %
Development	135,000,000	-	135,000,000	100
Total	135,000,000	-	135,000,000	100

It is doubtful if the Commission achieved its objective and mandate for construction of the intended buildings for services in the Counties

My opinion is not qualified in respect of this matter

NATIONAL POLICE SERVICE COMMISSION FINANCIAL STATEMENTS FOR VOTE 210

Basis for Qualified Opinion

482. Use Of Goods and Services

The financial statements reflect an expenditure of Ksh.179,806,887.00 under Use of Goods and Services which includes payments for expenditure totalling Ksh.80,849,299.00 irregularly incurred as follows: -

482.1 Irregular Procurement of Medical Insurance Cover

The Commission procured staff medical insurance cover through direct procurement at a cost of Kshs.26,478,684.00 contrary to Article 227 of the Constitution of Kenya, 2010; Section 29(1) of the Public Procurement and Disposal Act, 2005 and Section 62(3) of the Public Procurement and Disposal Regulations 2006. Consequently, propriety of Kshs.26,478,684.00 incurred on medical cover during the year could not be ascertained.

482.2 Unsupported Rent Payments

The Commission occupies four (4) floors at Skypark Building, LR. No.1870/IX/167 and pays annual rental cost of Kshs.54,370,615.00. However, no lease agreement has been signed between the landlord and the Commission. Under the circumstances, the validity of the annual rental payments could not be ascertained.

483. Irregular Payment of Meal Allowances

Records availed for audit show that the Commission paid meal allowances totalling Kshs.6,879,500.00 to officers who were performing normal duties contrary to Section J.6 of the Code of Regulations, 2006 and Circular letter Ref. No. MSPS18/2A/(89) which require that meal allowances should be paid to officers travelling on duty. In this circumstance, it is not possible to confirm the validity of Kshs.6,879,500.00 incurred on meal allowance.

484. Acquisition of Assets

The financial statements further reflect a balance of Ksh.70,359,063.00 against Acquisition of Assets, however, unsatisfactory matters have been observed on Refurbishment of Buildings and Motor Vehicles as follows: -

484.1 Refurbishment of Buildings

484.1.1 Delay in Project Implementation

Although clause 13 of the conditions of contract require that a contractor should provide a programme of work, audit inspections undertaken during the month of September 2015 revealed that contracted works that started on 5 April 2013 for twenty four (24) weeks had not been completed.

484.1.2 Liquidated Damages

Although recovery of liquidated damages is a requirement under clause 27 of the Conditions of Contracts, this provision is missing from the Contract therefore, causing delay in delivery of the project. In the circumstance, there are indications of poor project planning and weaknesses in project supervision.

484.1.3 Unexplained Introduction of New Contract

Although the Commission awarded the contract at a tender sum of Kshs 189,961,612 00, the Parliamentary Committee on Administration in consultation with the Commission met on 3 June 2013 and revised the contract sum to Kshs 139,953,779 00.

Further, during a site meeting held on 27 January 2014, the Project Manager advised the Commission to seek authority from the tender committee to vary the contract sum from Kshs 189,961,612 00 to Ksh 139,953,779 00. However, the tender committee's approval has not been availed for audit verification, an indication that the project cost could have been exaggerated and tax payers would still bear the cost.

Although the Commission purports that the contract sum has been revised to Kshs.139,953,779 00, the justification of paying the same contractor using Local Service Order No 1040259 for Kshs 24,136,949 00 under a separate contract No NBI/D07/63/2012-13 instead of the existing contract No as NBI/D01/81/2012-2013 has not been explained.

484.2 Missing Motor Vehicle Logbooks

The summary of fixed assets register annexed to the financial statements show that the value of fixed assets of Kshs 153,763,517 00 includes motor vehicles purchased at a cost of Kshs 117,552,095 00.

However, the Commission has not availed logbooks for twelve (12) motor vehicles, explaining that they were handed for safe custody to the former Commission Secretary who did not hand over the same to the Commission.

Although, it has been explained that the matter has been referred to Director of Criminal Investigation (DCI) for investigation and Director of Public Prosecution for prosecution, the Commission still does not have evidence of ownership of the twelve (12) vehicles.

485. Pending Bills

Examinations of records show that the Commission had pending bills of Kshs.14,144,988 00 relating to financial year 2013/2014, which increased to Kshs 20,141,098 00 in the financial year 2014/2015 by Kshs 5,996,110 00

The bills were not settled during the year but were instead carried forward to 2015/2016 Had the bills been paid and expenditure charged to the accounts for 2014/2015, the Statement of Receipts and Payments would have reflected a Net Deficit of Kshs 20,135,228 00 instead Net Surplus of Kshs 5,870 00 now shown.

THE OFFICE OF THE CONTROLLER OF BUDGET

FINANCIAL STATEMENTS FOR VOTE 212

Unqualified Opinion

There were no material issues noted during the audit of the financial statements

COMMISSION ON ADMINISTRATIVE JUSTICE

FINANCIAL STATEMENTS FOR VOTE 213

Basis for Qualified Opinion

486. Pending Bills

The Commission records as at 30 June 2015 reflect pending bills totaling Kshs.4,561,860.00 relating to 2014/2015 financial year. No reason has been provided for failure to clear the pending bills as at 30 June 2015 with the financial statements reflecting bank balances of Kshs.64,711,353 and recorded surplus of Kshs.10,744,222.40.

NATIONAL GENDER AND EQUALITY COMMISSION

FINANCIAL STATEMENTS FOR VOTE 214

Basis for Adverse Opinion

487. Procurement

487.1 Medical Cover

Information available indicates that the Commission awarded an annual contract to offer medical services at a tender sum of Kshs 10,760,000.00. However no reason has been given for failure to award the same contract to the lowest evaluated bidder at Kshs.9,405,548 00. Consequently, the payment of extra money amounting to Kshs 1,354,452 00 contravenes Section 68(1)(b) of the Public Finance Management Act, 2012.

487.2 Group Life Cover

Further, an insurance company was awarded an annual contract to offer group life cover to the Commission at a tender sum of Kshs 797,174 00. However, payment records availed confirmed that another insurance company whose price was Kshs 1,308,178 00 was paid for the services. No justification was provided for this irregularity that occasioned Kshs 511,004 loss of public funds

488. Refurbishment and Partitioning Works

Included in the statement of receipts and payments is an expenditure of Kshs 22,499,995.90 under acquisition of assets as at 30 June 2015. According to information available, an amount of Kshs 9,750,626 25 was paid to various contractors in respect of refurbishment and partitioning works undertaken at the Commission's Headquarters, Nakuru and Kisumu Offices.

However, it was observed that the contract works were undertaken without the production of bill of quantities, certifications and supervision from the Ministry of Lands, Housing and Urban Development. In the circumstance, it has not been possible to confirm that value for money was obtained in the expenditure totaling Kshs.9,750,626 25

489. Irregular Issuance of Imprests

The Commission made payments in form of imprests totalling Kshs 13,032,623 95 using payment vouchers that were paid to various officers including the Commissioners to undertake various activities across the country. No reason has been given for issue of imprest without imprest warrants

In addition, twenty five (25) officers were issued with additional Imprests totalling Kshs.10,965,230.95 before surrendering the amounts previously issued contrary to the financial regulations in place.

490. Inaccuracies of Financial Statements

490.1 Accounts Payable

The statement of financial position as at 30 June 2015 reflects financial year 2013/14 comparative balances of Kshs.2,546,040.00 against accounts payables (deposits), of which the previous year's audited statement reflects a nil balance. The net financial position of Kshs.15,689,378 also differs with the same amount. The variances need to be reconciled.

490.2 Statement of Cash Flows

The statement of cash flows reflects erroneous balances brought forward from 2013/2014 as follows: -

Description		Balance as per statement for 2013/2014 (Kshs.)	Balance as per statement for 2014/2015 (Kshs.)	Difference (Kshs.)
1.	Changes in accounts payable	Nil	2,546,040.00	2,546,040.00
2.	Net Cash flows from operating activities	40,511,000.00	180,981,960.00	140,470,960.00
3.	Net increase in Cash and Cash Equivalent	9,917,000.00	7,370,960.00	2,546,040.00

Consequently, it has not been possible to confirm the accuracy of the balances in these financial statements.

DONOR FUNDED PROJECTS

NATIONAL GENDER AND EQUALITY COMMISSION - NORWEGIAN FUND PROJECT

Basis for Qualified Opinion

491. Financial Statements Submission

Although the Government financial year ends at 30 June of every year, these financial statements have been prepared for the period ending 30 September 2015. As per the project agreement between the Commission, Partners and the Norwegian Ministry of Foreign Affairs, the financial statement were to be prepared for the project's life of between August 2014 to September, 2015.

492. Inaccuracy of the Financial Statements

Although the statement of financial assets and liabilities as at 30 September 2015 reflects nil balance against cash and cash equivalents, the bank balance in the Project account was Kshs.10,425,541.45 and Kshs.4,473,080.00 on 30 September and 10 December, 2015 respectively. No explanation or reconciliation has been provided for inaccurate presentation of cash and cash equivalent in the statement contrary to Section 48(1) of the National Gender and Equality Commission Act, 2011.

493. Inaccuracy between the General Ledger and Statements of Receipts and Expenditure

Examination of general ledger and statement of receipts and expenditure as at 30 September 2015, reflects account balances difference of Kshs 5,608,851.00 and Kshs 1,125,200.00 against community strategy (Advocacy) and Strategy / Lobby meetings respectively. No explanation has been given for differences between the two (2) sets of records.

494. Bank Balances

The Fund Project Management did not prepare monthly bank reconciliation statements for the project period and hence it was not possible to ascertain whether all bank transactions and bank balances during the period under audit were fairly stated.

INDEPENDENT POLICING OVERSIGHT AUTHORITY (IPOA)

FINANCIAL STATEMENTS FOR VOTE 215

Unqualified Opinion

There were no material issues noted during the audit of the financial statements.

EXCEPTIONS

1. The audit reports of the 47 County Governments are not included in this report as they are reported on separately.
2. The report excludes the report on the financial statements of the Auditor-General which are audited and reported separately by an independent auditor as per Article 226(4) of the Constitution of Kenya.

CONCLUSION

Compliance with the Constitutional Mandate

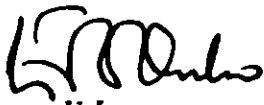
My Office has in compliance with the Provisions of Article 229(6) which required that I confirm whether or not public money has been applied lawfully and in an effective way done the following

- a) Embedded compliance audits in its audit methodology and compliance with laws and regulations have been reported in this report.
- b) Carried out value for money audits with some of the reports already tabled in parliament.

However, the Office is still seeking additional finances to increase the scope of continuous audits to ensure full compliance with the requirements of Article 229(6).

Appreciation

I wish to sincerely thank the entire staff of the Office of the Auditor-General for the great effort and hard work they have put in during the year



FCPA Edward R. O. Ouko, CBS
Auditor-General

Nairobi

15 July 2016

Audit Opinions on the Financial Statements

1. Unqualified Certificate

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE GOVERNMENT OF KENYA FOR THE YEAR ENDED 30 JUNE 2015

I have audited the financial statements of the Government of Kenya for the year ended 30 June 2015 which are listed in Appendix A in accordance with Section 229(4) of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards (IPSAS)-Cash Basis and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Sections 4, 5, 6 and 7 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 8 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

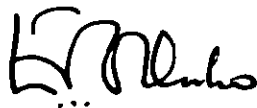
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements listed in Appendix A, present fairly, in all material respects, the financial position of the Government of Kenya and its Funds as at 30 June 2015, and of its operations for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS)-Cash Basis and comply with Government Financial Regulations and Procedures and Public Finance Management Act, 2012.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

15 July 2016

2. Qualified Certificate

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE GOVERNMENT OF KENYA FOR THE YEAR ENDED 30 JUNE 2015

I have audited the financial statements of the Government of Kenya for the year ended 30 June 2015 which are listed in Appendix B in accordance with Section 229(4) of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards (IPSAS)-Cash Basis and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

The Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Sections 4, 5, 6 and 7 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 8 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

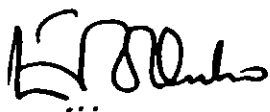
I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

Details of the basis for qualified opinion are given in the accompanying detailed reports listed in Appendix B. This includes various unexplained discrepancies and omission of expenditure from the financial statements.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements listed in Appendix B, present fairly in all material respects, the financial position of the Government of Kenya and its Funds as at 30 June 2015, and of its operations for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS) -Cash Basis and comply with Government Financial Regulations and Procedures and Public Finance Management Act, 2012



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

15 July 2016

3. Adverse Certificate

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE GOVERNMENT OF KENYA FOR THE YEAR ENDED 30 JUNE 2015

I have audited the financial statements of the Government of Kenya for the year ended 30 June 2015, which are listed in Appendix C in accordance with Section 229(4) of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards (IPSAS)-Cash Basis and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Sections 4, 5, 6 and 7 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 8 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

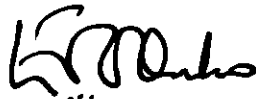
I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

Basis for Adverse Opinion

Details of the Basis for Adverse Opinion are as per accompanying detailed audit reports listed in Appendix C. This includes various material misstatements, unexplained discrepancies and omission of expenditure from the financial statements.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraphs, the financial statements listed in Appendix C, do not present fairly, in all material respects, the financial position of the Government of Kenya and its Funds as at 30 June 2015 and of its operations for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS)-Cash Basis and do not comply with the Government Financial Regulations and Procedures and Public Finance Management Act, 2012.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

15 July 2016

4. Disclaimer Certificate

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE GOVERNMENT OF KENYA FOR THE YEAR ENDED 30 JUNE 2015

I have audited the financial statements of the Government of Kenya for the year ended 30 June 2015 which are listed below in accordance with Section 229(4) of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards (IPSAS)-Cash Basis and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Sections 4, 5, 6 and 7 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 8 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

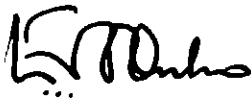
Because of the matters described in the detailed Report of the financial statements contained in Appendix D, I was unable to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Details of the Basis for Disclaimer of Opinion are as per the accompanying detailed audit Report listed in appendix D. This includes various unexplained discrepancies, omission of expenditure from the Accounts, lack of documentation to support some of the figures shown in the financial statements listed in Appendix D and failure by the Accounting Officers to provide information and explanation considered necessary for the purpose of the audit.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements contained in Appendix D.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

15 July 2016

APPENDIX A

The following is a list of financial statements for which I expressed an unqualified opinion as I was provided with sufficient and accurate information and explanations

Ministries/ Departments/ Agencies/Commissions

S/n	Vote	Account
1	120	Kenya Law Reform Commission
2	120	National Cohesion and Integration Commission
3	120	Office of the Attorney General and Department of Justice - Official Receiver
4	121	Judges and Magistrates Vetting Board
5	122	Ethics and Anti-Corruption Commission
6	124	Director of Public Prosecutions
7	124	Public Trustee
8	126	Registrar of Political Parties
9	127	Witness Protection Agency
10	133	Kenya Citizens and Foreign Nationals Service
11	154	State Department of Fisheries
12	205	Judicial Service Commission
13	207	Public Service Commission
14	208	Salaries and Remuneration Commission
15	212	Controller of Budget
16	215	Independent Policing Oversight Authority

Funds

S/n	Vote	Account
1	107	Asiatic Widows and Orphans Fund
2	107	Contingencies Fund
3	115	Kenya Energy Environment & Social Responsibility Programme Fund
4	123	Intelligence Service Development Fund
5	133	Government Press Fund
6	153	Veterinary Services Development Fund

7	204	Parliamentary Car Loan Scheme Fund
8	204	Parliamentary Mortgage Loan Scheme Fund

Revenue Statements

S/n	Vote	Account
1	107	Development Revenue
2	157	Department of Commerce and Tourism- Revenue Financial Statement
3	206	Commission on Revenue Allocation

APPENDIX B

The following is a list of financial statements for which I expressed qualified opinion. I was provided with sufficient and appropriate information and explanations and out of the audit I raised issues which were material but not fundamental.

Consolidated Fund Services

S/n	Vote	Account
1	107	CFS Pensions and Gratuities

Ministries/ Departments/ Agencies/Commissions

S/n	Vote	Account
1	101	The Presidency/State House
2	104	Ministry of Defense
3	107	The National Treasury
4	108	Ministry of Health
5	111	Ministry of Lands, Housing & Urban Development
6	112	Ministry of Information, Communication and Technology
7	113	Ministry of Sports, Culture and the Arts
8	114	Ministry of Labour, Social Security and Services
9	115	Ministry of Energy and Petroleum
10	117	Ministry of Industrialization and Enterprise Development
11	119	Ministry of Mining
12	120	Office of the Attorney General and Department of Justice
13	121	Judiciary
14	123	National Intelligence Service
15	125	Commission for the Implementation of the Constitution
16	133	State Department for Interior
17	136	Ministry of Devolution & Planning - State Department for Devolution
18	140	Ministry of Education, Science and Technology-Dept of Science and Technology
19	152	State Department of Agriculture
20	153	State Department of Livestock

21	156	Department of East African Affairs
22	157	Department of Commerce and Tourism
23	201	Kenya National Commission on Human Rights
24	202	National Land Commission
25	203	Independent Electoral and Boundaries Commission
26	204	Parliamentary Service Commission
27	209	Teachers Service Commission
28	210	National Police Service Commission
29	213	The Commission on Administrative Justice

Revenue Statements

S/n	Vote	Account
1	107	Recurrent Revenue
2	112	Ministry of Information, Communication and Technology- Statement of Revenue
3	120	Office of the Attorney General and Department of Justice- Revenue Financial Statement
4	121	Judiciary- Revenue Financial Statement
5	133	State Department for Interior - Statement of Revenue
6	154	State Department of Fisheries -Revenue Statement Head 000000-156 Fishing Rights

Other Statements

S/n	Vote	Account
1	107	Statement of outstanding Loans

Funds

S/n	Vote	Account
1	107	Asiatic Officers Family Fund
2	107	European Widows and Orphans Fund
3	111	Civil Servant Housing Fund
4	111	Kenya Slum Upgrading, low Cost Housing and Infrastructure Trust Fund
5	115	Petroleum Development Levy Fund
6	115	Petroleum Training Fund

7	126	Political Parties Fund
8	136	National Humanitarian Fund
9	136	National Youth Service -Mechanical and Transport Fund
10	136	Women Enterprise Fund
11	144	Mechanical and Transport Fund
12	144	Railway Development Levy Fund
13	152	Agricultural Information Resource Centre Revolving Fund
14	152	Demonstration Farms Fund

APPENDIX C

The following is a list of financial statements for which I expressed an adverse opinion due to materials misstatements.

Consolidated Fund Services

S/n	Vote	Account
1	107	CFS-Salaries Allowances & Misc Services-Statement of Expenditure

Ministries/ Departments/ Agencies/Commissions

S/n	Vote	Account
1	105	Ministry of Foreign Affairs
2	139	Ministry of Education, Science and Technology-Dept of Education
3	143	Ministry of Transport and Infrastructure-State Department of Infrastructure
4	144	Ministry of Transport and Infrastructure-State Department of Transport
5	145	Department of Environment and Natural Resources
6	146	Department of Water and Irrigation
7	214	National Gender and Equality Commission

Funds

S/n	Vote	Account
1	107	Petroleum Development Levy Fund
2	134	Prison Farms Revolving Fund
3	107	Provident Fund
4	152	Strategic Grain Reserve Trust Fund
5	107	Treasury Main Clearance Fund

Statements

S/n	Vote	Account
1	107	Statement of Expenditure-Subscriptions to International Organizations
2	107	Statement of Investments by the Cabinet Secretary/National Treasury in Various Companies
3	107	CFS - Public Debt

4 107 Statement of Outstanding Obligations guaranteed by GOK

**Revenue
S/n**

Vote

Account

1 107 Pension Department- Statement of Revenue

2 134 State Department for Coordination-Revenue statement

APPENDIX D

The following is a list of financial statements for which I was unable to express an opinion due to lack of sufficient and accurate information and explanations.

Issues and Receipts into Consolidated Fund Services

S/n	Vote	Account
1	107	National Exchequer Account

Funds

S/n	Vote	Account
1	107	Government Clearing Agency Fund
2	107	Kenya Local Loans Support Fund
3	107	Rural Enterprise Fund
4	111	Agricultural Settlement Fund Trust
5	111	Stores and Service Fund
6	134	Prisons Industries Fund

Statements

S/n	Vote	Account
1	111	Ministry of Lands, Housing & Urban Development-Revenue Statement
2	120	Truth Justice and Reconciliation Commission
3	134	State Department for Coordination of National Government
4	135	Ministry of Devolution & Planning - State Department for Planning

Appendix I: Unsupported Expenditure

Vote	Ministry	Amount	Remarks	Ref. paragraph in the detailed report
108	Ministry of Health	402,025,962	Propriety of the expenditure of Kshs.402,025,962.00 for the year ended 30 June 2015 could not be confirmed.	99 &100
111	Ministry of Lands, Housing &Urban Development	7,327,743	Procurement of fuel not supported	107
111	Ministry of Lands, Housing &Urban Development	482,983,866	Supplies Branch Suspense and PMG Accounts Debit and Credit Balances whose supporting schedules were not availed for audit review.	137
111	Ministry of Lands, Housing &Urban Development	844,003,800	Supplies Branch Suspense and PMG Accounts Debit and Credit Balances whose supporting schedules were not availed for audit review.	137
112	Ministry of Information, Communication and Technology	28,218,313	Propriety of the expenditure would not be confirmed.	148.2
113	Ministry of Sports, Culture and the Arts	83,844,527	(i)Transfer to Ministry - No documentary evidence was provided to support the transfer and account for the utilization of the funds.	154
113	Ministry of Sports, Culture and the Arts	10,638,221	(ii) Subscription to International Organizations - The list of these organizations together with the information receipts have not been provided for audit verification.	155
113	Ministry of Sports, Culture and the Arts	42,979,650	(iii) Disbursement to Sport organizations - Disbursement made to some organizations which a had not complied with the Sports Act 2013.	156
113	Ministry of Sports, Culture and the Arts	13,946,900	(iv) Disbursement to the KNSC - Further,disbursements of Kenya National Sports Council totalling Kshs.13,946,900.00 were not supported by payment vouchers.	156
113	Ministry of Sports, Culture and the Arts	83,485,637	(v) MOU with FEBACI - Although the amount disbursed has been reflected in the privately audited financial statements of FEPACI as at 30 June 2015, in the absence of itemized budget and expenditure returns to the Ministry, utilization and accountability of the funds could not be confirmed.	163
114	Ministry of Labour, Social Security and Services	16,639,968	(ii)Lease agreements - No lease agreements provided for review.	168
114	Ministry of Labour, Social Security and Services	8,959,195	(iii) Irregular and Inconsistent Salary - 199 officers earning salary beyond their cadre	169.1
114	Ministry of Labour, Social Security and Services	15,180,870	(i)Unsupported expenditure	172.4
115	Ministry of Energy and Petroleum	7,800,000	Unsupported imprest	191
120	Office of the Attorney General and Department of Justice	300,000,000	The statement of receipts and payments reflects proceeds from domestic and foreign grants of Kshs.300,000,000 as at 30 June 2015. It was alleged the donor agencies paid the funds directly to recipient projects/programs and the expenditure incurred thereon in form of Research, Studies, Project Preparation, Design and Supervision. However, no supporting documentation has been provided for audit review to confirm the amount received and spent by the Office of the Attorney-General and Department of Justice	210

Vote	Ministry	Amount	Remarks	Ref. paragraph in the detailed report
121	Judiciary	47,007,198	During the year under review, the United Nations Development Programme (UNDP) extended financial support towards reforms in the Judiciary to the tune of Kshs.47,007,198. Examination of relevant documents revealed that Judiciary as the implementing partner in the Judiciary Transformation Support Project only prepares financial requests for specified functions which are paid for by the financing partner. The implementing partner does not maintain the cashbook and does not prepare the payment vouchers for any expenditure incurred.	221
135	Ministry of Devolution & Planning - State Department for Planning	2,151,010,210	The money was transferred to the Ministry of Lands, Housing and Urban Development but the transfer had not been supported.	281.4
139	Ministry of Education, Science and Technology-Dept of Education	38,342,978	The propriety of the compensation to employees expenditure could not be confirmed	305
140	Ministry of Education, Science and Technology-Dept of Science and Technology	3,744,032	The Propriety of the expenditure could not be confirmed	328.1
140	Ministry of Education, Science and Technology-Dept of Science and Technology	141,997	The propriety of the expenditure could not be confirmed	328.2
144	Ministry of Transport and Infrastructure-State Department of Transport	4,284,400	Payment in development vote for which there was no support documents eg payment vouchers.	379
146	Department of Water and Irrigation	37,603,113	Un-supported Compensation of Employees over-expenditure	401.3
152	State Department of Agriculture	25,000,000	Procurement of Seed potato-Propriety of the expenditures could not be confirmed.	411.1
152	State Department of Agriculture	300,000,000	Procurement of Certified seed, breeding stock and Live animals-Propriety of the expenditures could not be confirmed.	411.1
152	State Department of Agriculture	2,129,128,557	Purchase and transportation of subsidized fertilizer - Propriety of the expenditures could not be confirmed.	411.3
152	State Department of Agriculture	30,095,000	Bulking of traditional high value (orphaned) crops - Propriety of the expenditures could not be confirmed.	412
152	State Department of Agriculture	5,584,025	Purchase of Techno Tablets - Propriety of the expenditure could not be confirmed.	413
156	Department of East African Affairs	54,790,890	Lack of supporting documents to the payment vouchers	449
156	Department of East African Affairs	2,887,840	Lack of supporting ETR and other approval documents	453
204	Parliamentary Service Commission	79,501,127	Examination of Communication's payment records indicate that amounts totaling Kshs.79,501,127.00 was paid to various travel companies without supporting documents.	475
210	National Police Service Commission	54,370,615	Unsupported payment of Rent	482.2
214	National Gender and Equality Commission	9,750,626	Contract for refurbishment and partitioning works in the Commission's Offices at Headquarters, Nakuru and Kisumu offices -Propriety of the expenditure could not be confirmed. Value for money not obtained.	488
		7,321,277,260		

Appendix II - Value for Money Audit Observations/Effectiveness

Vote	Ministry	Amount (Kshs.)	Remarks	Ref. to the detailed report
101	The Presidency	88,826,396	Irregular payment to a contractor	86
104	Defence	145,323,994	Overpricing of goods	89
104	Defence	957,354,060	Contract for completion of 144 Married Quarters - Gilgil - Value for money not obtained	90.2
105	Foreign Affairs	650,000,000.0	Irregular purchase of office in Kampala at (\$6,500,000) instead of \$2,500,000	95
107	The National Treasury	349,869,076	Repayment of Gvt guaranteed loan in reference Ken-Ren Chemical Fertilizer Company, a project which did not take off.	39
107	The National Treasury	50,000,000	Unexplained Exchequer Issue to European Widows and Orphans Pension Scheme Fund.	65
114	Ministry of Labour, Social Security and Services	480,000,000	Delay in completion of construction works due to implementation of Builders works in phases	175-177
117	Ministry of Industrialization	220,691,487	Loss of CIDC equipment and tools at KIRD	196
117	Ministry of Industrialization and Enterprise Development	214,899,000	Failure to install and commission Textile and Leather Working Machine Equipment	197.3
119	Ministry of Mining	102,848,436	Delays in commissioning of Ministry Laboratory	208
121	The Judiciary	20,583,210	Incomplete construction works at Narok Law Courts	225.1
121	The Judiciary	69,810,181	Questionable award of tender for construction and refurbishment of Eldama-Ravine Law Courts	225.2
121	The Judiciary	34,670,412	Kakamega Law Courts - possible litigation charges for contested award of tender	225.3
121	The Judiciary	46,458,069	Mavoko Law Courts - Cost incurred to prefabricate containers for use by the court. No evidence of court using the containers for the intended purposes.	225.4
125	Commission for Implementation of the Constitution	9,200,000	Amount the Commission irregularly paid to the supplier and which has not been recovered to date.	241.2
133	State Department of Interior	3,494,419,400	Irregular Award of Contract	243.6
133	State Department of Interior	370,879,500	Irregular Award of Contract to related companies	244
133	State Department of Interior	133,052,500	Passports issued to Foreign Citizens by Immigration Department but not recorded nor produced for audit verification.	246
133	State Department of Interior	600,000,000	An additional payment by the Ministry for the purchase of land and houses for the General Service Unit which has not been accounted for.	247
133	State Department of Interior	14,004,600	An officer was irregularly nominated to train as pilot but later discontinued for inability.	248
133	State Department of Interior	14,004,600	money lost through irregular training of a pilot who was later discontinued.	248
133	State Department of Interior	5,487,750	Construction and Re-habilitation of non-residential and residential buildings, Narok North District Treasury.	250
134	State Department for Coordination of National Government	95,758,296	Amount spent on biogas project at Kenya Prisons Service was value for money could not be explained.	258
134	State Department for Coordination of National Government	62,512,859	Loss arising from over pricing of stores at the Kenya Prisons Service.	261
135	State Department of Planning	7,111,432	Stalled project - The money was paid to a Contractor for the construction of flats at National Youth Service, Vocational Training Institute but the work was abandoned at the foundation level.	280.3
135	State Department of Planning	266,862,190	Amount claimed to have been disbursed by the ministry but never received by the Semi-Autonomous Government Agencies	282
139	State Department of Education	18,966,912	Unaccounted for rent where duplicate invoices were attached to the payment vouchers with no explanation on the whereabouts of the original invoices.	313
139	State Department of Education	22,437,051	Payments to a contractor by Mawego Institute for a project began on 22nd December 2009 for a project which stalled 50% midway while the contractor payment is 90%.	337.1
139	State Department of Education	9,754,135	Sanitation and Sewerage works contract at Kisiwa Technical Training Institute where 89.2% of the payments have been made but the contract is still in initial stages	340.1
139	State Department of Education	5,611,640	Water harvesting project at Kisiwa Technical Training Institute where the expenditure could not be properly accounted for.	340.2

Vote	Ministry	Amount (Kshs.)	Remarks	Ref. to the detailed report
139	State Department of Education	9,773,062	Construction of a tuition block phase II project at Kisiwa Technical Training Institute where the contractor was overpaid by Kshs 3,273,061.95 while a mobilization fee of Kshs 6,500,000 was never recovered.	340.3
139	State Department of Education	687,800	Withdrawals by the finance officer at Kisiwa Technical Training Institute which could not be accounted for.	340.4
139	State Department of Education	275,000,000	Construction of institutional management laboratory and kitchen annex in which it was not possible to establish the nature and terms of the contract because documents were not availed for audit review.	342
139	State Department of Education	223,000,000	Construction of an applied science laboratory at Eldoret Polytechnic in which the contract variation could not be explained.	343
139	State Department of Education	12,698,880	Unsigned schedules purported to have been used to pay workers who never signed for the money.	344
139	State Department of Education	24,647,025	Contract funds for construction of multi-complex hall at Rwika Institute of Technology which could not be accounted for.	346.1
139	State Department of Education	532,999,997	Development expenditure at Muranga Technical Training Institute which could not be accounted for.	352
139	State Department of Education	239,705,045	Funds released to Muranga Technical Training Institute for extension of fiber optic cable to TIVET institutions when there is no evidence of any installation.	353
143	State Department of Infrastructure	42,715,088	Nugatory expenditure paid for improvement and gravelling of Road D482	377
144	State Department of Transport - Mechanical and Transport Fund	22,589,200	Payment for supply of computers and related equipment whose delivery could not be confirmed.	384
145	State Department for Environment and Natural Resources	169,500,054	Documents to confirm delivery of services not provided for sub-contracted works pertaining supply, delivery, installation and commissioning of Integrated Metrological Collection System.	395.1
145	State Department for Environment and Natural Resources	14,548,499	Irregular procurement and payment for construction of a model County Office by the Metrological Department - Embu County Office	395.2
145	State Department for Environment and Natural Resources	13,543,872	Double award for tender to construct two observatory units	395.3
145	State Department for Environment and Natural Resources	27,760,162	Engineer's report(s) or certificates not provided to confirm completion of fencing projects at various metrological service stations.	395.5
145	State Department for Environment and Natural Resources	34,925,500	Unconfirmed delivery of seedlings by various contracted suppliers	395.7
152	State Department of Agriculture	126,850,000	Award of Contract to supply fertilizer	414
152	State Department of Agriculture	126,850,000	Amount lost through irregular procurement of fertilizers by the ministry.	414
152	State Department of Agriculture	1,772,055,670	The cost of obsolete and unfit stock of maize held at various depots of the National Cereals and Produce Board.	426.1
157	State Department of Commerce and Tourism	500,000,000	Propriety and legality of expenditure on construction of Ronald Ngala Utalii Academy.	463
203	Independent Electoral and Boundaries Commission	1,665,113,913	Supply, Delivery, Installation, Configuration, Training, Testing and Commissioning of Electronic Voter Identification Devices	468.1
203	Independent Electoral and Boundaries Commission	46,496,478	Unjustified excess payment for transportation of Election Materials	468.4
203	Independent Electoral and Boundaries Commission	220,400,000	Amount paid for supply of Printers which were not supplied	468.6
203	Independent Electoral and Boundaries Commission	9,437,658	Value of 48 BVR kits and Generator stolen at the Emgwen Constituency, Nandi County	469.3
		14,449,695,088		

Appendix III: Pending Bills

Vote	Ministry	Amount	Remarks	Ref. paragraph in the detailed report
101	The Presidency/State House	949,634,649	The Presidency did not pay pending bills	87
104	Ministry of Defence	4,187,353,002	The Ministry did not provide details of payees of pending bills	91
107	The National Treasury	632,331,850	The Ministry did not settle these bills instead they were carried forward.	4
108	Ministry of Health	1,423,830,288	Full payment of the pending bills could have resulted to a deficit of Kshs.4,869,625,142 in the statement of receipts and payments.	101
108	Ministry of Health	3,367,825,286	Full payment of pending bills - recurrent could have resulted to a deficit of Kshs.4,869,625,142 in the statement of receipts and payments-development.	101
111	Ministry of Lands, Housing & Urban Development	3,704,994,723	Had the bills been paid the receipt & payments could have shown a deficit instead of the surplus shown.	119
113	Ministry of Sports, Culture and the Arts	632,045,720	Had the bills been paid and the expenditure charged to the accounts for financial year 2014/2015, the statement of receipts and payments for the year would have reflected a deficit of Kshs.805,940,589.00 instead of deficit of Kshs.173,894,869.00 now shown, apart from distorting the budget allocation for financial year 2015/2016.	161
114	Ministry of Labour, Social Security and Services	297,578,490	Had the expenditure been paid and captured in financial statements, the ministry would have recorded a reduced under expenditure of Kshs.451.733,514.90 and not Ksh.814,186,345	167
114	Ministry of Labour, Social Security and Services	64,869,340	The ministry did not settle these bills during the year they relate but instead they were carried forward.	167
117	Ministry of Industrialization and Enterprise Development	20,568,376	Had the bills been paid and charged to the A/C, the financial statements would have reflected an excess in expenditure of Kshs.56,285,371 instead of the Kshs.35,716,995 now shown.	198
119	Ministry of Mining	9,060,804	Recurrent and Development - Failure to settle bills in the year to which they relate distorts the accounts for that year and adversely affects the budgetary provision for the subsequent financial year to which they have to be charged.	204
120	Office of the Attorney General and Department of Justice	204,450,444	The pending bills for the financial year 2014/2015 amounted to Kshs.204,450,444.00 out of which Kshs.14,215,439 remained unpaid as at the time of audit and is likely to distort the 2015/2016 budget.	211
120	Office of the Attorney General and Department of Justice	16,122,500	During the previous financial year ended 30 June 2014, the Office of the Attorney-General and Department of Justice disclosed pending bills amounting to Kshs.17,060,902.45. However, this figure was understated by Kshs.16,122,500.00 of other pending bills that were not disclosed and supported and have subsequently been paid in the year 2014/2015.	211
124	Director of Public Prosecutions	26,473,753	The office has pending bills of Kshs.26,473,752.95(2014:Kshs.1,196,404) as at 30 June 2015 against a deficit of Kshs.6,847,139(2014:Kshs.5,593,752)	238
133	State Department for Interior	5,070,255,153	Had the bills been paid, the net surplus for the year would have reduced from Kshs.260,119,000 reported in the financial statements, into a deficit of Kshs.4,810,136,152.00	251
134	State Department for Coordination of National Government	2,143,639,500	Headquarters -Failure to pay the bills within the financial year they relate to	262

Vote	Ministry	Amount	Remarks	Ref. paragraph in the detailed report
135	Ministry of Devolution & Planning - State Department for Planning	7,261,076,350	Pending bills amounting to Kshs.7,261,076,350 were not settled during the year. Had the bills been paid and the expenditure charged to the financial statement of 2014/2015, the statement of receipts and payments for the year would have reflected an increased deficit of Kshs.7,473,895,922 instead of the Kshs.212,819,572 now reflected. Failure to settle the bills during the year to which they relate distorts the financial statements for that year and adversely affects the provisions of the subsequent year which they have to be charged.	286
136	Ministry of Devolution & Planning - State Department for Devolution	3,028,638,103	The total pending bills amounted to Kshs.3,028,638,103 and had they been paid and the expenditure charged to the statement of receipts and payments in the 2014/2015 financial year, the statement would have reflected an excess vote (deficit) of Kshs.2,929,909,333 instead of the Kshs.98,728,770 surplus now shown. Failure to settle the pending bills during the year to which they relate distorts the FS for the year and adversely affects the provisions of the subsequent year to which they would be charged.	292
139	Ministry of Education, Science and Technology-Dept of Education	3,134,854	The propriety could not be confirmed.	314
140	Ministry of Education, Science and Technology-Dept of Science and Technology	796,079,111	Had the pending bills been included the statement of receipts and payments would have reflected a deficit of Kshs.792,018,046 (pending bills)	326
140	Ministry of Education, Science and Technology-Dept of Science and Technology	3,996,361	Payments for workers not confirmed.	326
143	Ministry of Transport and Infrastructure-State Department of Infrastructure	57,651,140	Un-disclosed pending bills - Effect on financial statements is reduction in under expenditure.	374.2
143	Ministry of Transport and Infrastructure-State Department of Infrastructure	30,265,963	Un-disclosed pending bills- Effect on financial statements is reduction in under-expenditure.	374.2
144	Ministry of Transport and Infrastructure-State Department of Transport	2,408,879,265		380
145	Department of Environment and Natural Resources	57,828,521	Bills amounting to Kshs.420,576,006 chargeable to both recurrent and development votes for the ministry as at 30 June 2015 were not paid in the year 2014/2015 but were instead carried forward to 2015/2016. Had those bills been paid and expenditure charged, the statement of receipts and payments will have reflected a higher deficit of Kshs.430,966,872.	389
145	Department of Environment and Natural Resources	362,747,486		389
146	Department of Water and Irrigation	28,499,619	Had the bill been paid and charged to the A/C, the statement of receipt and expenditure would have reflected a reduced surplus of Kshs.454,166,634 and not Kshs.588,772,931 now shown	403
146	Department of Water and Irrigation	106,106,678		403
152	State Department of Agriculture	31,929,067	Failure to settle bills in the year to which they relate distorts the accounts for that year and adversely affects the budget for the subsequent year to which they have to be charged.	417
152	State Department of Agriculture	4,561,941,149	Failure to settle bills in the year to which they relate distorts the accounts for that year and adversely affects the budget for the subsequent year, to which they have to be charged.	417
153	State Department of Livestock	259,636,678	Failure to settle bills in the year to which they relate distorts the financial statements for the year and adversely affects the budgetary provision for the subsequent year to which they have to be charged.	440

Vote	Ministry	Amount	Remarks	Ref. paragraph in the detailed report
156	Department of East African Affairs	29,860,007	Had the expenditure been paid and charged, the financial statement would have reflected a deficit of Kshs.32,390,662 and not a surplus of Kshs.3,034,226 now shown	F/S
156	Department of East African Affairs	5,564,881		F/S
157	Department of Commerce and Tourism	90,954,254	Unsupported pending bills paid	460
201	Kenya National Commission on Human Rights	7,871,000	Failure to settle bills in the year to which they relate distorts the accounts for that year and adversely affects the budgetary provision for the subsequent year to which they have to be charged.	466
203	Independent Electoral and Boundaries Commission	1,301,913,818	Due diligence check of pending bills in fifteen regions revealed that pending bills amounted to Kshs.132,586,361.21 instead of Kshs.140,181,106.57 reported in the financial statements for the regions. As a result, the accuracy and validity of the reported figure of pending bills in the financial statements could not be confirmed.	470
204	Parliamentary Service Commission	6,358,500	Examination of Pending Bills reveals that bills totaling Kshs.6,358,500 were outstanding as at June 2015. Had the bills been paid, the statement of receipts and payments could have reflected a balance of Kshs(6,301,577) instead of Kshs.56,923.00 now reflected.	475
210	National Police Service Commission	20,141,098	The Commission had pending bills of Kshs.14,144,988.00 relating to financial year 2013/2014, which increased to Kshs.20,141,098.00 in the financial year 2014/2015 by Kshs.5,996,110.00. Had the bills been settled, the Statement of Receipts and Payments would have reflected a Net Deficit of Kshs.20,135,228.00 instead of a Net surplus of Kshs.5,870 now shown.	485
		43,212,107,781		

#REF!

Appendix IV: Unsurrendered Temporary Imprests

Vote	Ministry	Amount	Remarks	Ref. paragraph in the detailed report
105	Ministry of Foreign Affairs	37,737,302	Amount of Outstanding imprests which ought to have been surrendered by the close of the financial year.	96.3
107	The National Treasury	3,250,777	Amount of Outstanding imprests which ought to have been surrendered by the close of the financial year.	Para 5
108	Ministry of Health	26,818,240	Various officers were issued with new imprest before accounting for the previous one contrary to Government Financial Regulations.	Para 98
112	Ministry of Information, Communication and Technology	208,250	Unsurrendered/unaccounted for imprest brought forward from Year 2013/2014	Para 149
114	Ministry of Labour, Social Security and Services	12,089,334	Amount of Outstanding imprests which ought to have been surrendered by the close of the financial year.	170
120	Office of the Attorney General and Department of Justice	2,113,920	The statement of Financial performance under use of goods and services reflects an expenditure of Kshs.26,273,845.00 which includes an imprest of Kshs.2,113,920.00 which was not surrendered or accounted for.	219
121	Judiciary	3,859,025	Included in the imprest and cash balance of Kshs.11,803,266 as at 30 June 2015 is an amount of Kshs.3,859,025 which has been outstanding for almost a year and has not been recovered to date.	223.2
134	State Department for Coordination of National Government	3,321,600	Failure to surrendered imprest when due. Balance not reconciling with one in the financial statements	259
135	Ministry of Devolution & Planning - State Department for Planning	6,479,671	Some imprests have been outstanding for over six months and some employees were issued with more than one imprest prior to surrendering the previously issued imprests contrary to PFM Act and prevailing financial regulations.	283
136	Ministry of Devolution & Planning - State Department for Devolution	2,369,962	Contrary to financial regulations, the outstanding staff imprests should have been surrendered or recovered on or before 30 June 2015 from staff members. Some of the imprests have been outstanding for more than one financial year and some employees have been issued with more than one imprest before surrendering outstanding imprests.	293
140	Ministry of Education, Science and Technology-Dept of Science and Technology	4,471,785	Imprests not accounted for after completion of the activity for which the imprest was advanced.	333.3
145	Department of Environment and Natural Resources	1,123,617	Imprests not accounted for after completion of the activity for which the imprest was advanced.	F/S
146	Department of Water and Irrigation	1,785,524	Imprests not accounted for after completion of the activity for which the imprest was advanced.	F/S
152	State Department of Agriculture	1,628,404	Imprests not accounted for after completion of the activity for which the imprest was advanced.	419
153	State Department of Livestock	1,100,393	Imprests not accounted for after completion of the activity for which the imprest was advanced.	444
156	Department of East African Affairs	263,456	Imprests not accounted for after completion of the activity for which the imprest was advanced.	450

Vote	Ministry	Amount	Remarks	Ref. paragraph in the detailed report
157	Department of Commerce and Tourism	1,126	Imprests not accounted for after completion of the activity for which the imprest was advanced	F/S
204	Parliamentary Service Commission	8,931,430	A payment of Kshs 4,400,570 00 on account of Public Investment Committee meeting was not supported with documentation including the list of attendees. An officer of the Technical Evaluation Committee was issued with imprest totaling Kshs 1,057,000 00. No documentary evidence has been produced to support this payment. Two imprest surrenders of Kshs 1462,640 00 and Kshs 795,720 00 were not supported with the relevant documentary evidence, hence the propriety of these payments could not be confirmed. The Commission paid Kshs 1,215,500 00 to a local company in respect of accommodation provided to thirty three (33) National Lands Committee members. No documentary evidence has been produced to support the procurement and payment.	476
		117,553,816		



Republic of Kenya
National Treasury
National Exchequer Account
Statement of Receipts and Issues
For the Financial Year ended 30th June 2015

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1. Overview of National Exchequer Operations

Article 206 of the Constitution of Kenya provides for the establishment of a Consolidated Fund into which shall be paid all money raised or received by or on behalf of the national government. As outlined under Section 17 of the PFM Act, the National Treasury is responsible for administration of the Consolidated Fund. The Consolidated Fund is maintained in an account known as the National Exchequer Account, at the Central Bank of Kenya.

Government revenue is received through persons designated as Receivers of Revenue by the Cabinet Secretary to the National Treasury pursuant to Article 209 (1), (2) and (4) of the Constitution. Receivers of Revenue are responsible for receiving, remitting to the Exchequer, and accounting for the National government revenue pursuant to section 82 of the Public Finance Management Act 2012. During the FY 2014/15, there were a total of 10 Receivers of revenue.

Section 78 of the PFM Act has mandated the Kenya Revenue Authority (KRA), as the collector of national government revenue. Revenue collected by KRA is received by the Principal Secretary, National Treasury who is the designated Receiver.

An appropriation Act and County Allocation Revenue Act is required to authorize the withdrawal of funds from the Consolidated Fund. The National Treasury is required to seek Controller of Budget approval before withdrawing from the National Exchequer Account to the respective National and County Government entities' bank accounts.

Entities that receive funds from the Exchequer Account include National Government Ministries, Departments and Agencies (MDAs) and County Governments. These entities are responsible for administration of their respective budgets.

Pursuant to Section 83 of the PFM Act, 2012, the National Treasury is responsible for accounting of the all monies paid into and out of the Exchequer Account. This Statement therefore covers the operations of the National Exchequer Account for the financial year ended 30th June 2015.

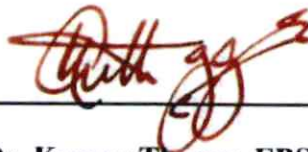
2. Statement of responsibilities

As the Accounting Officer, the Principal Secretary to the National Treasury is responsible for the preparation and fair presentation of the Statement of Receipts into and out of the National Exchequer Account and submission to the Auditor-General in accordance with the provisions of Section 80 of the Public Finance Management Act, 2012 and Section 3 of the Public Audit Act, 2003.

The Principal Secretary to the National Treasury accepts responsibility for the National Exchequer Account, Statement of Receipts and Issues, which has been prepared using the cash basis as prescribed by the Public Sector Accounting Standards Board (PSASB). The Statement has been extracted from the accounting records maintained by National Treasury, and the information provided is accurate and complete in all material respects. The Statement also forms part of the Consolidated Financial Statements of the Republic of Kenya.

In my opinion as the Principal Secretary at the National Treasury, the National Exchequer Statement of Receipts and Issues as set out on page 3 to 19 gives a true and fair view of the National Exchequer Account operations for the period ended 30th June 2015.

Signature: _____



Name: _____

**Dr. Kamau Thugge, EBS
Principal Secretary, National Treasury**

Date: _____

30/9/15

3. Statement of Receipts and Issues for the year end 30 June 2015

Description	Notes	Period ended	Period ended
		30th June 2015	30th June 2014
		Kshs	Kshs
Opening balance		162,086,138.90	496,366,817.30
Receipts			
Tax income	5.2	1,001,245,431,205.77	893,547,719,445.10
Non tax income	5.2	40,804,376,558.25	42,790,876,550.40
Net domestic borrowing	5.3	292,680,000,000.00	267,360,000,000.00
Grants	5.4	10,473,510,502.50	11,126,034,282.80
External borrowing	5.5	249,233,782,495.55	63,080,692,720.25
Total Receipts		1,594,437,100,762.07	1,277,905,322,998.55
Transfers from the Exchequer			
National Government Recurrent	Annex 3.1	640,352,208,883.00	601,745,585,437.95
National Government Development	Annex 3.2	270,240,838,230.00	224,355,607,699.00
Consolidated Fund Services	Annex 3.3	454,466,411,172.00	258,792,271,715.00
Total National Government		1,365,059,458,285.00	1,084,893,464,851.95
County Governments	Annex 3.4	229,336,237,197.00	193,346,138,825.00
Total transfers		1,594,395,695,482.00	1,278,239,603,676.95
Excess of Receipts over transfers during the Year		203,491,418.97	162,086,138.90
Closing cashbook balance	5.7	203,491,418.97	162,086,138.90

The notes on pages 5 to 19 form an integral part of these financial statements. This statement has been prepared, reviewed and approved by the following:

Prepared by: G. K. Kangogo Sign:  Date: 30.09.2015

Reviewed by: Lucy N. Kariuki Sign:  Date: 30.09.2015

Approved by: B. M. Ndungu Sign:  Date: 30.09.2015

Principal Secretary: Dr. Kamau Thugge, EBS Sign:  Date: 30/9/15

4. Summary of budget vs actual performance for the period ended 30th June 2015

The following statement summarizes the outturn against budget. Further details are provided under annex 2 to this report:

Description		Original Estimates	Revised Estimates	Total Actual	%
				FY 2014/15	Realized FY 2014/15
		Kshs	Kshs	Kshs	
Exchequer receipts:					
Tax Income	5.2	1,050,907,798,049.00	1,050,907,798,049.00	1,001,245,431,205.77	95%
Non Tax Revenue	5.2	38,259,703,218.00	38,259,703,218.00	40,804,376,558.25	107%
Net Domestic Borrowing	5.3	339,813,540,042.00	339,813,540,042.00	292,680,000,000.00	86%
Grants	5.4	16,372,345,055.00	16,372,345,055.00	10,473,510,502.50	64%
External Borrowing	5.5	146,207,105,741.00	252,597,285,028.00	249,233,782,495.55	99%
Total Receipts		1,591,560,492,105.00	1,697,950,671,392.00	1,594,437,100,762.07	95%
Exchequer Transfers:					
National Government Recurrent	Annex 3.1	625,831,601,031.00	675,133,495,321.00	640,352,208,883.00	95%
National Government Development	Annex 3.2	320,885,760,014.00	356,665,895,935.00	270,240,838,230.00	76%
Consolidated Fund Services	Annex 3.3	415,579,481,060.00	436,887,630,136.00	454,466,411,172.00	104%
County Governments	Annex 3.4	229,263,650,000.00	229,263,650,000.00	229,336,237,197.00	100%
Total Exchequer Transfers		1,591,560,492,105.00	1,697,950,671,392.00	1,594,395,695,482.00	95%

Commentary:

- The total revenue for FY 2014/2015 amounted to KShs 1.594 trillion compared to a budgeted amount of KShs 1.698 trillion representing a 95% realisation.
- Out of the collected revenue, County Governments received 100% of equitable share as per County Revenue Allocation Act (CARA) of 2015.

However an amount of Kshs 72,587,196.00 for West Pokot County relating to FY 2013/2014 was disbursed in FY 2014/2015 hence the difference between budget and actuals.

- The debt repayment budgeted for under the Consolidated Fund Services was also fully funded.
- Recurrent expenditure budget was funded at 95% while development budget was funded at 76%.
- On overall, the budgeted issues from the Exchequer Account were funded at 95%.

5. Significant Accounting Policies

5.1 Accounting policies

a) Basis of preparation

The Statement of Receipts and Payments has been prepared in accordance with the cash basis of International Public Sector Accounting Standard (IPSAS) as prescribed by the Public Sector Accounting Standard Board (PSASB) in Kenya.

b) Reporting entity

This report relates to financial operations of the Consolidated Fund held in the National Exchequer Account maintained at CBK. The reporting entity is the National Treasury.

c) Revenues

Revenues include receipts collected by the receivers of revenue and deposited in the Consolidated Fund pursuant to Article 206 of the Constitution of Kenya. This Article requires that all revenue collected by the National Government shall be deposited in the Consolidated Fund held at the National Exchequer Account maintained at the Central Bank of Kenya.

The receipts collected include tax collections by Kenya Revenue Authority (KRA), loans and grants from development partners, proceeds from domestic loans, and other miscellaneous deposits in the National Exchequer bank account.

d) Grants and loans from Development Partners

Grants and loans received from development partners are recognized as receipts when the funds are received in the National Exchequer Account.

e) Exchequer Transfers

Exchequer Transfers relate to appropriations to votes based on exchequer requests made by the respective votes subject to budget provisions. The exchequer requests are received by National Treasury, which rationalizes the requests based on available balance, consolidates the requests and forwards them to Controller of Budget (CoB) for approval. Once the approval of CoB is obtained, the funds are released to either the recurrent or development accounts of National Government entries or the County Revenue Fund accounts of the Counties. These accounts are maintained at CBK.

The appropriations from the National Treasury are regarded as transfers rather than expenditures. At consolidation level, these transfers are netted off against the corresponding transfers reported as having been received by the respective votes and County Governments.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, bank balances, un-surrendered imprests and short term deposits in money market instruments.

g) Presentation Currency

The financial statements are reported in Kenya Shillings, being the currency of legal tender in Kenya.

5.2 Tax Income and Non Tax Income Receipts

The following is an analysis by revenue type of the receipts collected in the National Exchequer Account:

Code	Description	30 June 2015 Kshs	30 June 2014 Kshs
Tax Income			
1110000	Taxes on Income, Profits and Capital Gains	511,405,623,499.57	452,912,588,054.40
1130000	Taxes on Property	13,241,979,167.10	11,574,866,350.50
1140000	Taxes on Goods and Services	449,604,648,567.80	402,382,396,515.20
1150000	Taxes in International Trade and Transactions	26,993,179,971.30	26,677,868,525.00
Total Tax Income		1,001,245,431,205.77	893,547,719,445.10
Non Tax Income			
1160000	Other Revenue	37,154,624,799.05	41,264,861,976.50
1430000	Fines, Penalties and Forfeitures	2,490,948,629.20	1,442,618,801.60
1450000	Other receipts Not Classified Elsewhere	1,158,803,130.00	83,395,772.30
Total Non-Tax Income		40,804,376,558.25	42,790,876,550.40
Total Tax and Non-Tax income – refer to Annex 1		1,042,049,807,764.02	936,338,595,995.50

5.3 Proceeds from domestic borrowings

The proceeds from sale of Treasury Bills and Treasury Bonds during the year were as summarised below:

Description	30 June 2015 Kshs	30 June 2014 Kshs
Treasury Bonds	255,680,000,000.00	106,700,000,000.00
Treasury Bills (net)	37,000,000,000.00	160,660,000,000.00
Net proceeds	292,680,000,000.00	267,360,000,000.00

5.4 Grants received through National Exchequer Account

The budget support received from development partners is channelled through the National Exchequer Account and is summarized below:

Description	30 June 2015 Kshs	30 June 2014 Kshs
Bilateral Donors		
Government of Denmark (DANIDA)	1,700,676,179.00	906,832,693.00
Government of Sweden (SIDA)	858,906,187.00	961,579,998.00
Government of Italy	578,781,278.00	424,000,000.00
Government of Japan	34,944,961.00	1,168,337,621.00
Government of United States (USAID)	18,500,000.00	-
United Kingdom (DFID)	-	28,670,000.00
Total Grants from Bilateral Donors	3,191,808,605.00	3,489,420,312.00
Multilateral Donors		
African Union Mission in Somalia (AMISON)	3,842,803,467.95	4,694,571,553.20
Global Fund	1,532,823,872.35	1,136,281,167.00
United Nations Development Programme (UNDP)	62,513,224.00	135,490,414.00
United Nations Fund for Population Activities (UNFPA)	3,220,000.00	31,329,232.00
United Nations Environmental Programme (UNEP)	6,600,000.00	6,814,375.00
United Nations International Children Education Fund (UNICEF)	21,266,190.00	11,791,000.00
International Fund for Agricultural Development (IFAD)	203,722,976.00	8,589,853.00
International Development Association (IDA)	1,491,142,845.30	1,421,612,806.00
African Development Fund	-	131,819,990.00
Global Environment Trust Fund (GETF)	-	48,310,080.00
Grants from other international organizations	117,609,321.90	10,003,500.00
Total Grants from Multilateral Donors	7,281,701,897.50	7,636,613,970.20
Grand total	10,473,510,502.50	11,126,034,282.20

5.5 Proceeds from external borrowings

The following loans amount was received through the National Exchequer Account as summarised below:

Description	30 June 2015 Kshs	30 June 2014 Kshs
Borrowings from bilateral and multilateral lenders –see note (i) below	33,764,156,459.95	28,432,304,538.85
Commercial Financing (Euro Bond) - see note (ii) below	215,469,626,035.75	34,648,388,180.25
Total	249,233,782,495.55	63,080,692,720.25

Note i: Borrowing from bilateral and multilateral lenders

The following is the breakdown of bilateral and multilateral lender whose funding was received through the National Exchequer Account.

Description	30 June 2015 Kshs	30 June 2014 Kshs
Bilateral Lenders		
Government of Germany	-	98,533,414.00
Government of France (AFD)	1,292,551,034.55	464,851,750.00
Government of Japan	1,287,142,155.00	55,763,523.00
Total borrowing from bilateral lenders	2,579,693,189.55	619,148,687.00
Multilateral Lenders		
International Development Association (IDA)	23,808,995,864.00	25,648,885,003.00
European Investment Bank	1,471,373,148.60	11,753,371.00
Global Fund	897,135,670.00	299,199,663.00
African Development Fund	626,309,588.80	802,063,459.00
International Fund for Agricultural Development (IFAD)	926,521,457.75	1,069,269,223.00
Prior year adjustments*	-	(18,014,867.15)
International Development Association (IDA) – for Kenya National Safety Program for Results (PFORR)	3,454,127,541.25	-
Total Grants from Multilateral Donors	31,184,463,270.40	27,813,155,851.85
Grand total	33,764,156,459.95	28,432,304,538.85

* Prior year adjustment relates to loan amounts captured in error in FY 2012/2013 and adjusted during the FY 2013/2014.

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Note ii: Commercial Financing (Euro Bond)

In June 2014, the Government issued a Sovereign Bond (referred to as the Euro Bond). The purpose of the bond issuance was for general budget support including funding of infrastructure projects and the repayment of the Syndicated Loan amounting to US\$ 600 million which was incurred in 2011/12 and was to mature in August, 2014.

The initial proceeds from the Sovereign Bond was US\$ 2,000,000,000.00 (Kshs 174,000,000,000.00). During the month of December 2014, the Government issued an additional bond (referred to as the Tap Sale) for US\$ 750,000,000.00 (Kshs 67,882,500,000.00). The Net Proceeds from the Tap Sales were US\$ 815,684,271.00 including a premium of US\$ 65,684,271.00 (Kshs 5,945,083,368.00).

The net proceeds from the Sovereign Bond and the Tap Sale totalled Kshs 250,118,014,216.00 after netting off the commissions, bank charges and taxes. Of this, Kshs 53,201,344,900.00 was applied to retiring the syndicated loan while Kshs 196,916,669,316.00 (Kshs 162,268,281,136.00 during FY 2014/2015 and Kshs 34,648,388,180.00 during FY 2013/2014) were paid into the Exchequer Account to fund development budget.

The interest rate on the five year Sovereign Bond is 5.875 percent and 6.875 percent for ten year tenor.

The following is the summary movement on the Sovereign Bond account for the financial years 2013/2014 and 2014/2015:

Summary Movement - Sovereign Bond Accounts	Year ended	Year ended	Total
	30-Jun-14	30-Jun-15	
	Kshs	Kshs	Kshs
Opening Balance	-	140,428,045,092.20	-
Proceeds from Sovereign Bond (US\$ 2,000,000,000)	174,000,000,000.00	-	174,000,000,000.00
Tap Sale - face value of the proceeds (US\$ 750,000,000)	-	67,882,499,999.98	67,882,499,999.98
Premium on issue of Tap Sale (US\$ 65,684,271)	-	5,945,083,368.21	5,945,083,368.21
Exchange gains	1,158,833,323.80	1,239,412,781.24	2,398,246,105.05
Interest earned	6,659,120.94	14,908,577.20	21,567,698.14
Less Commissions, expenses and taxes:			
Commissions and transaction expenses deducted at source	(87,194,619.00)	(22,386,652.89)	(109,581,271.89)
Account settlement charges	-	(13,762,728.32)	(13,762,728.32)
Federal Interest withheld	(1,864,553.55)	(4,174,401.62)	(6,038,955.17)
Net proceeds received	175,076,433,272.20	75,041,580,943.81	250,118,014,216.00
The proceeds from the Sovereign Bond were applied as follows:			

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Summary Movement - Sovereign Bond Accounts	Year ended	Year ended	Total
	30-Jun-14	30-Jun-15	
	Kshs	Kshs	Kshs
Payment of Syndicated Loan in FY2013/2014	-	53,201,344,900.00	53,201,344,900.00
Transfer to Exchequer A/C in FY2013/2014 (directly to Exchequer A/C)	34,648,388,180.00	-	34,648,388,180.00
Transfer to Exchequer A/C in FY2014/2015 (From Special A/C No.1000212764 at CBK)	-	162,268,281,136.00	162,268,281,136.00
Total	34,648,388,180.00	215,469,626,036.00	250,118,014,216.00
Closing Balance	140,428,045,092.20	-	-

NB: A more detailed breakdown of the Sovereign Bond account is provided under Annex 2.

5.6 Exchequer transfers to voted entities

The summary details of exchequer transfers per institution are shown below:

Description	30 June 2015 Kshs	30 June 2014 Kshs
National Government Recurrent	640,352,208,883.00	601,745,585,437.95
National Government Development	270,240,838,230.00	224,355,607,699.00
National Government CFS	454,466,411,172.00	258,792,271,715.00
County Governments	229,336,237,197.00	193,346,138,825.00
Net Exchequer transfers	1,594,395,695,482.00	1,278,239,603,676.95

See Annex 3 for a detailed analysis of the above exchequer transfers by vote and County.

5.7 Closing Balances

The closing balance relates to the cash book balance as at 30th June 2015.

Description	As at 30 June 2015 Kshs	As at 30 June 2014 Kshs
Exchequer cashbook balance	203,491,418.97	162,086,138.90
Grand total	203,491,418.97	162,086,138.90

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Annex 1: Detailed Exchequer Receipts

Category Of Receipt	Printed Estimates Kshs	Actual Receipts Kshs	Under/(Over Estimates) Kshs
Taxation Receipts			
Income Tax from Individuals (P.A.Y.E)	299,768,071,970.00	279,795,651,215.20	(19,972,420,754.80)
Income Tax from Corporations	240,051,125,152.00	228,785,246,254.52	(11,265,878,897.48)
Refunds	(300,000,000.00)	-	300,000,000.00
Immovable Property	743,805,140.00	-	(743,805,140.00)
Second Hand Motor Vehicle Pur. Tax	616,698,473.00	-	(616,698,473.00)
VAT on Domestic Goods & Services	146,138,279,663.00	127,904,574,521.00	(18,233,705,142.00)
VAT on Imported Goods & Services	146,635,781,084.00	131,780,626,466.50	(14,855,154,617.50)
VAT Refunds	(25,636,289,822.00)	-	25,636,289,822.00
Excise Taxes	122,170,416,749.00	115,871,723,794.35	(6,298,692,954.65)
Refunds	(2,400,000,000.00)	-	2,400,000,000.00
Customs Duties	80,653,365,678.00	74,047,723,785.95	(6,605,641,892.05)
Refunds	(300,000,000.00)	-	300,000,000.00
Other Taxes on Int. Trade & Transactions (IDF)	30,969,490,261.00	26,993,179,971.30	(3,976,310,289.70)
Stamp Duty	11,803,053,701.00	11,467,760,697.65	(335,293,003.35)
Refunds	(6,000,000.00)	-	6,000,000.00
Licences under Traffic Act		2,824,726,029.85	2,824,726,029.85
Licences Under Communications Act		-	-
Rent of Land		1,774,218,469.45	1,774,218,469.45
Total Tax Receipts	1,050,907,798,049.00	1,001,245,431,205.77	69,269,708,794.23
Non Tax Receipts			
Licences under Traffic Act	1,535,999,837.00	2,824,726,029.85	1,288,726,192.85
Rent of Land	1,688,120,928.00	1,774,218,469.45	86,097,541.45
Surplus Funds for Regulatory Authority	5,758,000,000.00	1,158,803,130.00	(4,599,196,870.00)
Cont. From Govt. Employees To Social	660,809,724.00	-	(660,809,724.00)
Interest Received	921,729,599.00	1,608,601,213.40	686,871,614.40
Other Profits & Dividends	11,606,300,000.00	12,872,590,015.45	1,266,290,015.45
Rent of Government Buildings and Housing	175,157,576.00	-	(175,157,576.00)
Fines, Penalties & Forfeitures & other charges	1,357,120,046.00	2,490,948,629.20	1,133,828,583.20
Miscellaneous & Sundry Revenue	3,445,197,675.00	9,650,526,851.55	6,205,329,176.55
Receipts from sale of Non Financial Assets	35,625,657.00	-	(35,625,657.00)
Mps Contribution	-	120,429,099.75	120,429,099.75
Fees Under Traffic Act	852,852,290.00	-	(852,852,290.00)
Motor Drivers Licences	1,103,969,759.00	-	(1,103,969,759.00)
Registration Services	80,817,350.00	505,129,712.65	424,312,362.65
Conveyance fees	1,113,240,693.00	-	(1,113,240,693.00)
Immigration Visas and Other Consular Fees	1,718,795,655.00	2,509,319,840.65	790,524,185.65

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Category Of Receipt	Printed Estimates Kshs	Actual Receipts Kshs	Under/(Over Estimates) Kshs
Passport Fees	321,099,895.00	10,861,330.00	(310,238,565.00)
Work Permit Fees	2,735,071,402.00	1,488,820,736.15	(1,246,250,665.85)
Sale of Tender Documents	1,073,202.00	-	(1,073,202.00)
Course Fees & Hostel Charges	2,959,198.00	-	(2,959,198.00)
Kenya Oil Facility Storage Charges	50,306,365.00	-	(50,306,365.00)
Sale of Goods and Fees for Services	291,281,951.00	-	(291,281,951.00)
Sale of Goods and Fees Others	25,251,822.00	-	(25,251,822.00)
Fishing Rights	109,625,738.00	210,980,546.95	101,354,808.95
Betting Control	27,619,181.00	3,127,271.35	(24,491,909.65)
Funds Management Fees received from LATF	17,506,142.00	-	(17,506,142.00)
Loans to Non-Financial Public Enterprises	1,904,700,000.00	2,694,798,172.95	790,098,172.95
Loans to Financial Institutions	77,250,000.00	202,574,682.50	125,324,682.50
Reimbursement within central government	52,285,453.00	-	(52,285,453.00)
Other revenues	589,936,080.00	677,920,826.40	87,984,746.40
Total Non Tax Receipts	38,259,703,218.00	40,804,376,558.25	2,544,673,340.25
Ordinary Revenue	1,089,167,501,267.00	1,042,049,807,764.02	71,814,382,134.48

Annex 2: Movement in Sovereign Bond Account

	US\$	Ex- Rate	K Shs
JPMORGAN CHASE NEW YORK ACCOUNT NO. 603149985			
Proceeds from Sovereign Bond	2,000,000,000.00	87.00	174,000,000,000.00
Less Commissions deducted at source:			
(i) Commissions and transaction expenses	(1,002,237.00)	87.00	(87,194,619.00)
(ii) Interest payment	76,541.62	87.00	6,659,120.94
(iii) Federal Interest withheld	(21,431.65)	87.00	(1,864,553.55)
Net proceeds received in offshore A/C	1,999,052,872.97		173,917,599,948.39
Less Transfer to Exchequer A/C on 30.06.2014 for infrastructure projects in FY2013/2014	(395,439,262.50)	87.62	(34,648,388,180.25)
Add Exchange gain on translation of closing balance	-		1,239,412,781.24
Balance in Off-shore account as at 30th June 2014	1,603,613,610.47	87.62	140,508,624,549.38
Less Payment of syndicated loan on 02.07.2014	(604,560,737.50)	88.00	(53,201,344,900.00)
Less Commissions and bank charges:			
(i) Account settlement charges	(156,394.64)	88.00	(13,762,728.32)
(ii) Interest payment	169,415.65	88.00	14,908,577.20
(iii) Federal Interest withheld	(47,436.38)	88.00	(4,174,401.62)
Add Exchange gain on translation of closing balance before transfer			1,158,833,323.80
Balance transferred to CBK S/Bond A/C No.1000212764 on 08/09/2014	999,018,457.60	88.55	88,463,084,420.45
Less Payments from the S/Bond account at CBK A/C No. 1000212764:			
(i) Amount transferred to Exchequer A/C on 15.09.2014	-		(25,000,000,000.00)
(ii) Amount transferred to Exchequer A/C on 19.09.2014	-		(25,000,000,000.00)
(iii) Amount transferred to Exchequer A/C on 30.10.2014	-		(15,000,000,000.00)
Total payments from S/Bond account at CBK:	-		(65,000,000,000.00)
Balance in Sovereign Bond Account at CBK as at 31st October 2014	-		23,463,084,420.45
CITIBANK NEW YORK ACCOUNT NO. 36341018			
Proceeds from the tap sale:			
(i) Face Value of the proceeds	750,000,000.00	90.51	67,882,499,999.98
(ii) Premium on issue of tap sale	65,684,271.00	90.51	5,945,083,368.21

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	US\$	Ex- Rate	KShs
(iii) Less Commissions and transaction expenses deducted at source	(247,339.00)	90.51	(22,386,652.89)
Net proceeds transferred to CBK S/Bond A/C No.1000212764 on 17.12.2014	815,436,932.00	90.51	73,805,196,715.30
Balance in S/Bond A/C No.1000212764 at CBK as at 31st December 2014	-		97,268,281,135.75
			-
Less transfers to Exchequer Account:			
(i) Amount transferred to Exchequer A/C on 21.01.2015	-		(25,000,000,000.00)
(ii) Amount transferred to Exchequer A/C on 17.03.2015	-		(25,000,000,000.00)
Balance in Sovereign Bond Account at CBK as at 31st March 2015	-		47,268,281,135.75
Less transfers to Exchequer Account:			
(i) Amount transferred to Exchequer A/C on 02.06.2015	-		(30,000,000,000.00)
(ii) Amount transferred to Exchequer A/C on 30.06.2015	-		(17,268,281,135.75)
Balance in Sovereign Bond Account at CBK as at 30th June 2015	-		-

Annex 3: Detailed statement of Exchequer transfers through the National Exchequer Account

3.1 National Government Recurrent Budget

	Original Estimates Recurrent	Revised Estimates Recurrent	Actual Transfer Recurrent 30 June 2015	% Realized 2014/15
	KShs	KShs	KShs	
The Presidency	3,511,023,597.00	7,209,783,597.00	5,632,016,000.00	78%
Ministry of Defence	73,281,000,000.00	78,770,800,000.00	74,585,220,000.00	95%
Ministry of Foreign Affairs	9,828,839,943.00	12,749,814,217.00	11,801,800,000.00	93%
The national Treasury	37,796,000,000.00	29,814,525,602.00	27,685,820,000.00	93%
Ministry of health	22,199,373,000.00	25,397,289,096.00	23,543,000,000.00	93%
Ministry of Lands Housing, and Urban Development	4,039,846,962.00	4,352,583,177.00	4,007,000,000.00	92%
Ministry of Information & Communication and Technology	1,925,748,127.00	2,513,748,127.00	2,240,600,000.00	89%
Ministry of Sports Culture and Arts	2,578,053,968.00	2,881,053,968.00	2,608,000,000.00	91%
Ministry of Labour Social Security and Services	8,368,995,289.00	8,688,995,289.00	8,336,300,000.00	96%
Ministry of Energy and Petroleum	1,748,336,641.00	1,766,558,644.00	1,735,500,000.00	98%
Ministry of Industrialization and Enterprise Dev.	2,259,717,028.00	3,275,917,028.00	2,819,640,000.00	86%
Ministry of Mining	708,227,033.00	753,711,140.00	665,765,000.00	88%
Office of The Attorney General and Department of Justice	3,378,486,691.00	3,282,486,700.00	2,815,115,000.00	86%
The Judiciary	11,867,000,000.00	10,732,000,000.00	10,318,560,000.00	96%
Ethics & Anti-Corruption Commission	1,546,000,000.00	1,746,000,000.00	1,646,000,000.00	94%
National Intelligence Service	17,440,000,000.00	19,140,000,000.00	19,137,400,000.00	100%
Directorate of Public Prosecution	1,732,421,263.00	1,726,831,272.00	1,479,200,000.00	86%
Commission for Implementation of the Const.	306,000,000.00	306,000,000.00	304,700,000.00	100%
Registrar of Political Parties	466,960,949.00	475,961,000.00	457,341,000.00	96%
Witness Protection Agency	249,675,000.00	295,200,213.00	282,278,600.00	96%
State Department For Interior	78,920,337,021.00	92,839,437,021.00	84,934,000,000.00	91%
State Department For Co-ord. of National Government	15,411,370,819.00	17,113,870,819.00	17,105,000,000.00	100%
State Department for Planning	14,642,570,625.00	17,108,800,000.00	14,732,840,000.00	86%
State Department For Devolution	2,171,015,315.00	4,327,827,515.00	4,288,050,000.00	99%
State Department For Education	49,984,434,457.00	50,107,770,016.00	49,095,900,000.00	98%
State Department for Science & Technology	37,100,091,952.00	40,123,691,952.00	38,980,000,000.00	97%
State Department for Infrastructure	1,441,457,939.00	1,368,979,238.00	1,337,386,000.00	98%
State Department for Transport	1,370,480,983.00	1,465,553,760.00	1,408,740,000.00	96%
State Department for environment & Natural Resource	6,901,976,982.00	8,311,291,664.00	7,864,900,000.00	95%

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	KShs	KShs	KShs	
State Department for Water & Regional Authority	2,103,792,790.00	2,053,792,790.00	2,053,792,790.00	100%
State Department for Agriculture	7,477,495,200.00	9,538,495,200.00	7,898,400,000.00	83%
State Department for Livestock	1,814,430,310.00	1,819,430,310.00	1,762,620,000.00	97%
State Department for Fisheries	971,413,217.00	1,113,913,217.00	1,111,400,000.00	100%
State Department for East African Affairs	1,617,103,767.00	1,617,103,767.00	1,480,600,000.00	92%
State Department for Commerce & Tourism	2,720,707,394.00	2,975,058,549.00	2,877,105,000.00	97%
Kenya National Comm. on Human Rights	356,500,000.00	356,500,000.00	345,345,994.00	97%
National land Commission	1,156,338,149.00	1,093,838,149.00	1,089,100,000.00	100%
Independent Electoral & Boundaries Comm.	2,993,099,681.00	6,787,803,346.00	5,233,000,000.00	77%
Parliamentary Service Commission	19,971,000,000.00	22,391,000,000.00	22,234,012,000.00	99%
Judicial Service commission	438,000,000.00	338,000,000.00	253,700,000.00	75%
The Commission on Revenue Allocation	283,586,889.00	276,086,889.00	212,401,499.00	77%
Public Service Commission	874,204,313.00	1,008,204,313.00	980,040,000.00	97%
Salaries & Remuneration Commission	440,549,493.00	839,849,493.00	596,500,000.00	71%
Teachers Service Commission	165,358,978,668.00	169,635,978,668.00	166,047,000,000.00	98%
National Police Service Commission	278,119,240.00	470,119,240.00	426,100,000.00	91%
Auditor General	2,501,020,000.00	2,801,020,000.00	2,672,400,000.00	95%
Controller of Budget	429,962,741.00	395,962,740.00	341,500,000.00	86%
The Commission on Administrative Justice	374,485,500.00	393,985,500.00	363,420,000.00	92%
National Gender & Equality Commission	290,250,930.00	290,250,930.00	289,500,000.00	100%
Independent Police Oversight Authority	205,121,165.00	290,621,165.00	236,200,000.00	81%
Sub-total National Government Recurrent	625,831,601,031.00	675,133,495,321.00	640,352,208,883.00	95%

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3.2 National Government Development Budget

	Original Estimates Development KShs	Revised Estimates Development KShs	Actual Development Transfers 30 June 2015 KShs	% Realized 2014/15
The Presidency	786,500,000.00	1,236,500,000.00	782,570,000.00	63%
Ministry of Foreign Affairs	1,560,000,000.00	1,625,700,000.00	1,067,603,000.00	66%
The National Treasury	24,403,751,045.00	29,441,957,325.00	18,823,330,317.00	64%
Ministry of Health	13,907,269,126.00	17,487,964,921.00	10,493,170,608.00	60%
Ministry of Lands Housing, and Urban Development	15,429,583,948.00	21,197,280,970.00	14,062,123,310.00	66%
Ministry of Information & Communication and Technology	4,890,612,364.00	5,487,933,793.00	4,133,702,010.00	75%
Ministry of Sports Culture and Arts	1,310,000,000.00	1,533,000,000.00	1,282,810,000.00	84%
Ministry of Labour Social Security and Services	11,425,663,636.00	11,682,523,636.00	10,678,728,230.00	91%
Ministry of Energy and Petroleum	24,131,937,490.00	31,700,481,457.00	24,819,254,060.00	78%
Ministry of Industrialization and Enterprise Dev.	6,921,911,200.00	5,438,511,480.00	2,729,007,700.00	50%
Ministry of Mining	1,200,000,000.00	1,150,000,000.00	889,820,000.00	77%
Office of The Attorney General and Department of Justice	231,675,000.00	199,532,140.00	121,650,000.00	61%
The Judiciary	5,624,895,000.00	3,093,000,000.00	1,230,379,860.00	40%
Ethics & Anti-Corruption Commission	77,600,000.00	-	-	0%
Directorate of Public Prosecution	119,300,000.00	67,000,000.00	65,000,000.00	97%
State Department For Interior	4,321,321,100.00	8,630,071,100.00	4,606,000,000.00	53%
State Department For Coordination of National .Government	657,116,200.00	597,116,200.00	597,116,200.00	100%
State Department for Planning	50,546,531,393.00	54,822,052,611.00	45,375,586,144.00	83%
State Department For Devolution	3,516,969,000.00	5,542,069,000.00	3,646,051,225.00	66%
State Department For Education	20,255,055,000.00	7,846,926,916.00	6,222,314,390.00	79%
State Department for Science & Technology	9,969,084,228.00	10,175,499,313.00	9,761,050,000.00	97%
State Department for Infrastructure	59,020,582,647.00	66,281,130,647.00	53,132,867,822.00	80%
State Department for Transport	7,781,469,353.00	8,661,749,353.00	6,202,207,585.00	72%
State Department for environment & Natural Resource	6,418,919,786.00	6,771,904,554.00	5,718,741,195.00	84%
State Department for Water & Regional Authority	17,833,669,037.00	19,081,127,277.00	15,442,540,046.00	81%
State Department for Agriculture	17,566,942,775.00	23,377,655,184.00	19,420,015,132.00	83%
State Department for Livestock	3,280,197,238.00	3,380,197,238.00	3,030,750,386.00	90%
State Department for Fisheries	1,142,523,448.00	2,104,599,009.00	2,003,597,010.00	95%
State Department for Commerce & Tourism	2,084,400,000.00	2,888,131,811.00	2,608,500,000.00	90%
National land Commission	542,000,000.00	442,000,000.00	145,000,000.00	33%

National Treasury
National Exchequer Account, Statements of Receipts and Issues
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	Original Estimates Development KShs	Revised Estimates Development KShs	Actual Development Transfers 30 June 2015 KShs	% Realized 2014/15
Independent Electoral & Boundaries Comm.	91,280,000.00	74,280,000.00	74,280,000.00	100%
Parliamentary Service Commission	3,129,000,000.00	4,075,000,000.00	921,442,000.00	23%
Public Service Commission	168,000,000.00	168,000,000.00	153,630,000.00	91%
Teachers Service Commission	135,000,000.00	-	-	0%
Auditor General	405,000,000.00	405,000,000.00	-	0%
Sub-total National Government Development	320,885,760,014.00	356,665,895,935.00	270,240,838,230.00	76%

3.3 National Government Consolidated fund Service Budget

	Original Estimates KShs	Revised Estimates KShs	Total Actual Transfers 30/06/2015 KShs	% Realized FY 2014/15
Public Debt	378,010,445,318.00	399,310,622,509.00	416,234,431,172.00	104%
Pensions and Gratuities	32,356,038,229.00	32,356,038,229.00	35,081,980,000.00	108%
Salaries and Allowances	5,212,497,513.00	5,220,469,398.00	3,150,000,000.00	60%
Subscriptions to International Organizations	500,000.00	500,000.00	-	-
Total CFS	415,579,481,060.00	436,887,630,136.00	454,466,411,172.00	104%

3.4 Transfers to County Governments

	Original Estimates KShs	Revised Estimates KShs	Total Actual Transfers 30/06/2015 KShs	% Realized FY 2014/15
County Governments				
Baringo County	3,898,701,817.00	3,898,701,817.00	3,898,701,817	100%
Bomet County	4,135,654,263.00	4,135,654,263.00	4,135,654,263	100%
Bungoma County	6,710,034,213.00	6,710,034,213.00	6,710,034,213	100%
Busia County	4,757,157,698.00	4,757,157,698.00	4,757,157,698	100%
Elgeyo/Marakwet County	2,871,945,879.00	2,871,945,879.00	2,871,945,879	100%
Embu County	3,546,340,602.00	3,546,340,602.00	3,546,340,602	100%
Garissa County	5,163,814,626.00	5,163,814,626.00	5,163,814,626.00	100%
Homa Bay County	4,939,153,509.00	4,939,153,509.00	4,939,153,509.00	100%
Isiolo County	2,673,046,921.00	2,673,046,921.00	2,673,046,921.00	100%
Kajiado County	3,865,164,568.00	3,865,164,568.00	3,865,164,568.00	100%

National Treasury
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	Original Estimates	Revised Estimates	Total Actual Transfers 30/06/2015	% Realized FY 2014/15
	KShs	KShs	KShs	
Kakamega County	7,999,990,175.00	7,999,990,175.00	7,999,990,175.00	100%
Kericho County	3,935,291,260.00	3,935,291,260.00	3,935,291,260.00	100%
Kiambu County	6,616,244,176.00	6,616,244,176.00	6,616,244,176.00	100%
Kilifi County	6,505,434,172.00	6,505,434,172.00	6,505,434,172.00	100%
Kirinyaga County	3,097,237,885.00	3,097,237,885.00	3,097,237,885.00	100%
Kisii County	6,293,453,626.00	6,293,453,626.00	6,293,453,626.00	100%
Kisumu County	5,219,776,886.00	5,219,776,886.00	5,219,776,886.00	100%
Kitui County	6,375,108,549.00	6,375,108,549.00	6,375,108,549.00	100%
Kwale County	4,483,784,358.00	4,483,784,358.00	4,483,784,358.00	100%
Laikipia County	3,019,047,543.00	3,019,047,543.00	3,019,047,543.00	100%
Lamu. County	1,795,183,557.00	1,795,183,557.00	1,795,183,557.00	100%
Machakos County	6,087,031,461.00	6,087,031,461.00	6,087,031,461.00	100%
Makueni County	5,230,622,802.00	5,230,622,802.00	5,230,622,802.00	100%
Mandera County	7,826,262,143.00	7,826,262,143.00	7,826,262,143.00	100%
Marsabit County	4,540,962,199.00	4,540,962,199.00	4,540,962,199.00	100%
Meru County	5,748,587,910.00	5,748,587,910.00	5,748,587,910.00	100%
Migori County	5,110,869,787.00	5,110,869,787.00	5,110,869,787.00	100%
Mombasa County	4,748,690,119.00	4,748,690,119.00	4,748,690,119.00	100%
Muranga County	4,695,587,909.00	4,695,587,909.00	4,695,587,909.00	100%
Nairobi County	11,365,111,382.00	11,365,111,382.00	11,365,111,382.00	100%
Nakuru County	7,422,873,158.00	7,422,873,158.00	7,422,873,158.00	100%
Nandi County	4,164,729,997.00	4,164,729,997.00	4,164,729,997.00	100%
Narok County	4,629,250,044.00	4,629,250,044.00	4,629,250,044.00	100%
Nyamira County	3,646,635,502.00	3,646,635,502.00	3,646,635,502.00	100%
Nyandarua County	3,774,776,517.00	3,774,776,517.00	3,774,776,517.00	100%
Nyeri County	4,100,574,908.00	4,100,574,908.00	4,100,574,908.00	100%
Samburu County	3,107,466,532.00	3,107,466,532.00	3,107,466,532.00	100%
Siaya County	4,383,163,207.00	4,383,163,207.00	4,383,163,207.00	100%
Taita County	2,899,885,925.00	2,899,885,925.00	2,899,885,925.00	100%
Tana River County	3,483,242,713.00	3,483,242,713.00	3,483,242,713.00	100%
Tharaka Nithi County	2,747,312,700.00	2,747,312,700.00	2,747,312,700.00	100%
Tranzoia County	4,458,831,419.00	4,458,831,419.00	4,458,831,419.00	100%
Turkana County	9,153,224,208.00	9,153,224,208.00	9,153,224,208.00	100%
Uasin Gishu County	4,544,602,890.00	4,544,602,890.00	4,544,602,890.00	100%
Vihiga County	3,389,883,964.00	3,389,883,964.00	3,389,883,964.00	100%
Wajir County	6,328,460,244.00	6,328,460,244.00	6,328,460,244.00	100%
West Pokot County	3,773,444,078.00	3,773,444,078.00	3,846,031,274.00	100%
Total County Governments	229,263,650,000.00	229,263,650,000.00	229,336,237,197.00	100%

Note: An amount of KShs 72,587,196.00 for West Pokot County relating to FY 2013/2014 was disbursed in FY 2014/2015 hence the difference between the estimate and actual disbursement.

