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FIFTEENTH REPORT

OF THE

PUBLIC INVESTMENTS COMMITTEE

ON THE ACCOUNTS OF

STATE CORPORATIONS

2007

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STATE CORPORATIONS

2007

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PREFACE

Mr. Speaker Sir,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Committee consisted of the following Members:

(i) The Hon. J.B.N. Muturi, M.P. - **Chairman**
(ii) The Hon. Wafula Wamunyinyi, M.P.
(iii) The Hon. Sammy Rutto, M.P.
(iv) The Hon. Jimmy Angwenyi, MP
(v) The Hon. Peter G. Munya, M.P.*
(vi) The Hon. K.M. Sang, M.P.
(vii) The Hon. Geoffrey Gachara Muchiri, M.P*.
(viii) The Hon. Gitau Kabogo, M.P.
(ix) The Hon. Hussein Maalim Mohamed, M.P.*
(x) The Hon. Ali Bahari, M.P.
(xi) The Hon. (Dr.) Abdullahi I. Ali, M.P

The Honourables Moses Cheboi, MP, George Khaniri, MP, Wycliffe Oparanya, MP and Najib Balala, MP were appointed into the Committee in April, 2007 to compile the Sixteenth Report of the Committee. They also contributed in preparation of this Fifteenth Report.

*The Hon. Peter Munya, M.P, Hon. Geoffrey G. Muchiri, M.P and Hon. Hussein M. Mohamed, M.P ceased being Members of the Committee on November 15, 2006 upon their appointment as Assistant Ministers.

PROCEEDINGS

The Committee held Fifty Three (53) sittings in which it closely examined Eighty Five (85) Reports of Controller and Auditor General on Thirty Two (32) State Corporations. The Committee also visited Kenya Ports Authority and took evidence from the Management on the matter of grain handling by M/s. Grain Bulk Handlers Ltd (GBHL).

The Minutes of the Committee are hereto annexed and copies of the HANSARD Report may be obtained at the Parliament Library.

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

These observations and recommendations, if taken into account and implemented, will enhance accountability, effectiveness, transparency, efficiency, prudent management and profitability in State Corporations and the public investments sector as a whole.

OBSERVATIONS.

The House is invited to note that there exists a huge backlog of unexamined reports of the Controller and Auditor General on State Corporations. This Committee endeavoured to reduce this backlog by examining two or more of the said reports for some Corporations. To this end, Committee managed to bring to date the following corporations:- Kenya Medical Research Institute, National Hospital Insurance Fund, Capital Markets Authority, Kenya Reinsurance Corporation, Kenya Airports Authority, Investments Promotion Centre (now Kenya Investments Authority), Agricultural Finance Corporation, Kenya Tourist Board, Tea Board of Kenya, Higher Education Loans Board and Safaricom Ltd.

The Committee was appalled to observe that several State Corporations continued to operate under financial constraints occasioned by mismanagement and/or imprudent commercial arrangements. The following are some of the highlights of this Report:-

1. **Safaricom Ltd**: The Committee examined at length, the matter of shareholding of Safaricom Ltd. I want to report to the House that this is a matter that Members of the Committee constantly and rightfully described as a mucky case of grand corruption: In 1999, Telkom Kenya owned 70% of Safaricom Ltd while 30% was owned by Vodafone (K) Ltd. The Committee found out that, contrary to what is known to the public, the Company has more than two shareholders. The third shareholder is a shadowy firm known as Mobitelea Ventures Ltd, registered in Guernsey Island and whose directors are obscured through other nominee firms. According to Mr. Darby, Chief Executive, Vodafone Plc (Americas/Africa/China/India) the questionable firm owned 10% of Safaricom by the year 2002 which was reduced to 5% in the year 2003 when Vodafone Plc "bought" back part of the shareholding. The Committee was concerned that Telkom (K) Ltd (TKL) was not paid *anything* for the 10% of Safaricom that was irregularly ceded to Mobitelea Ventures Ltd. Most witnesses who appeared before the Committee, including officers of the Ministry of Finance were not certain about the dates of the reduction of Telkom's shareholding in Safaricom from 70% to 60%. While the Permanent Secretary in the Ministry of Finance informed the Committee that the reduction was done in October 5, 1999, the Director General, CCK said that by the time Safaricom was issued with a license on June 30, 1999, Telkom's shareholding had reduced to 60%. Mr. Darby of Vodafone Plc conveyed to the Committee that the change was done in the year 2000, while Minutes of TKL Board showed September 27, 1999 as the date that the Board approved the reduction of shares *subject to written request by Vodafone.* It was evident that, despite the fact that Safaricom is a capital investment, Telkom's Board neither obtained the requisite sanction of the parent Ministry nor that of the Ministry of Finance to reduce its shareholding in the Company. Further, the Registrar of Companies informed the Committee that even the records of the known shareholder, M/s. Vodafone (K) Ltd a subsidiary company of Vodafone Plc and which is said to own 40 % of Safaricom have since inexplicably disappeared from the Registry. It is appalling that Vodafone Plc, a Company registered in the United Kingdom involved itself in underhand activities of corrupt nature aimed at depriving Kenyan citizens of billions of shillings through M/s. Mobitelea Ventures, despite the fact that the U.K. has been in the forefront of campaigning

against corruption in developing countries. It is worth noting that, despite the huge profits that the Company has made in the past years Telkom did not receive any cash dividend. The first dividend of shareholders was approved in the year 2006 following a net profit of Kshs. 8,425,456,000. Subsequently, the shareholders approved a dividend of Kshs.2,991,673,000. Of this amount, Vodafone (K) Ltd was paid Kshs.1,196,699,000 while Kshs.1,795,003,759 payable to Telkom was used to offset its obligation to Safaricom. The Company (Safaricom) recorded net profit of Kshs.12,010,431,000 in the year 2007. Subsequently, a dividend of Kshs.4 billion has been proposed. In view of the fact that the Committee is oblivious of the total debt amount owing from Telkom to Safaricom, it is not possible to ascertain or report to the House whether Telkom will receive any cash dividend. Against this backdrop, it would be gratuitous for Telkom or the government to delight in news of such huge profits by Safaricom. It is however worth noting that Telkom benefits from Links and Interconnection charges from Safaricom. Since inception of the Company, TKL has received a total of Kshs.2,581,715,263.42 and Kshs.5,218,227,449.10 as Links and Interconnection charges, respectively.

2. **Kenya Medical Research Institute** (Kemri): The Committee exhaustively deliberated on the matter of the stalled Kemri's Staff Housing Project at Mbagathi Road. It held consultative meetings with Permanent Secretaries in the Ministries of Finance and Health, the Investment Secretary and the management of the Institute and charted a way forward by recommending that:-the Treasury provides funds for completion of the project beginning in financial year 2007/2008; the Ministry of Health takes the lead in the overall management of the project; the government ensures that the National Bank of Kenya discharges the plot of L.R. 209/10683; the Chief Executive ensures that the Institute reintroduces the Plot of L.R. 209/10683 in its assets as soon as practicable; and the Commissioner of Police and the Director of Kenya Anti-Corruption Commission expedites investigation on the matter of fictitious receipts in support of Kshs. 27,327,697 presented by M/s Sande Makhandia & Co. Advocates and M/s Rachier & Co. Advocates ostensibly in support of payment to the Nairobi City Council and the Ministry of Lands as Council rates and Land rent respectively, for the plot No. L.R. 209/10683.

3. The Committee also addressed the matter of grain handling license entered between **Kenya Ports Authority and M/s. Grain Bulk Handlers Ltd (GBHL).** The Committee was concerned that the license granted to GBHL is lopsided and gives the firm undue monopoly in grain handling at the Port

of Mombasa. The Committee observed that it would have been prudent for KPA to negotiate for equity in the firm on strength of the value of land on which the facility is built. The Committee was also informed that the firm has applied for renewal of the license for a period of twenty years. The license is due to expire on February 17, 2008. The Committee recommends that the Authority ensures that its grain handling policy allows fair competition and that while considering the application by GBHL for renewal of the license, the Authority ensures that the prohibitive clauses therein are reviewed to safeguard the interest of the Authority and fair competition in handling of all commodities at the Port. The Committee also recommends that the Authority ensure that the tariff payable by GBHL and other handlers of similar commodities are reviewed to reflect the prevailing competitive market realities.

4. **Kenya Reinsurance Corporation**: Contrary to the terms of appointment, M/s. KPMG issued an audit report to the members of Kenya Reinsurance Corporation Ltd who upon receipt of the report, published the company's accounts purporting to have been duly audited and received an unqualified opinion. By that time, however, the accounts were still in draft form pending certification by the Controller and Auditor General. The Committee was concerned that the private audit firm had ostensibly given a qualified opinion on the financial statements of the Corporation for the year 2005 while the Corporation was thereafter found to have been grossly mismanaged leading to dismissal of its Chief Executive and Finance Manager in the year 2007. The Committee also noted that the National Bank of Kenya and Industrial Development Bank had also been reported as having acted contrary to Section 39(3) to (6) of the Public Audit Act, 2003 by publishing uncertified accounts. The Committee recommends, among other proposals, that:-

(i) the Chief Executive of the Corporation ensures that the Corporation's financial statements are audited in accordance with the Public Audit Act, 2003;

(ii) in future, private audit firms appointed by the Controller and Auditor General pursuant to Section 39(3) to (6) of the Public Audit Act, 2003 must ensure that they present their reports to him or her before presenting the same to the client Corporation. Firms that deviate from this should be reported to the Accountants Registration Board and be suspended from audit of parastatals or government departments;

(iii) the Chief Executives of the National Bank of Kenya and Industrial Development Bank ensures that the Banks' financial statements are audited in accordance with the Public Audit Act, 2003; and,

(iv) the Minister for Finance ensures that annual financial statements of all State Corporations including those in the Banking Sector are prepared in accordance with the Public Audit Act, 2003 and tabled before the House.

5. **Kenya Post Office Savings Bank:** The Committee noted that the Kenya Post Office Savings Bank Act, Cap 493 (B) is inadequate in that it requires the Treasury to compensate Post Bank in event of any financial losses including those occasioned by inefficiencies and/or mismanagement. The Committee urges the government to propose amendments to Sections 8(1) and 13(1) of Cap 493 (B) to accommodate the views of the Treasury that the Bank should only be compensated by the government in event of losses accrued due to operating in financially non-viable environment and to cushion depositors and not in instances where such losses are occasioned by inefficiencies and/or mismanagement.

6. **Capital Markets Authority**: The Committee noted that the Authority is owed over Kshs. 4 million by its former Chief Executive, Mr. Paul K. Melly and that there is a pending suit related to his dismissal. The Committee recommends that since the former Chief Executive of the Authority Mr. Paul K. Melly was not on retirement scheme, the Authority continues withholding the amount of Kshs.3,136,544 owed to him as terminal dues pending final determination of the dispute in court.

7. **Pyrethrum Board of Kenya:** During the period 1996-1998, Pyrethrum Board of Kenya operated with 15 Board Members, contrary to Section 4(2) of the Pyrethrum Board Act (Cap 340), which provides for only fourteen Board members. The Committee was informed that the extra Board Member was appointed vide a letter from the Minister for Agriculture dated July 4, 1996 one month after gazettement of the 14 members of the Board. Subsequently, the additional member was not gazetted. The Corporation incurred a total of Kshs. 641,809 in form of allowances paid to the extra member of the Board during the year 1997/98. It was clear to the Committee that the then Minister for Agriculture acted ultra vires by appointing the extra Board Member. In this regard, the Committee recommends that the then Minister for

Agriculture who acted *ultra vires* to the law together with then chief executive who authorized payments to the additional Member who was not gazetted, be held responsible and the amount of Kshs.641,809 being the irregular allowances paid to the extra board member be jointly and severally recovered from them.

8. **Kenya Medical Training College:** As noted in the Committee's 12th Report, KMTC still does not have ownership documents for various parcels of land and buildings at Kenya Medical Training College Headquarters, South Hill Mess, Nairobi and also at all the constituent colleges inherited from the Ministry of Health across the country. Some of the parcels of land were irregularly allocated to third parties. The Committee recommends that the Director of the College in liaison with the parent Ministry and the Commissioner of Lands ensures that those parcels of land that were irregularly hived off from KMTC and allocated to third parties are repossessed by KMTC. The College should be issued with ownership documents of all its land by December 31st, 2007.

9. **Kenya Airports Authority**: Between 1992 to 2003, KAA was operating on a negative Balance Sheet. The Authority made losses amounting to billions due to government debtors, poorly negotiated loans (e.g. Bank of Africa Loan), procurement irregularities (e.g. the Anglo Leasing-related computerization project) and general poor management. The Authority posted a loss after tax of Kshs.626,021,598 and Kshs.422,424,617 in the financial years 2001/2002 and 2002/2003, respectively. In the year 2002/2003, the adjusted accumulated losses rose to Kshs.3,427,788,000 from the previous year's figure of Kshs.1,949,061,000. The Committee noted that the management has since embarked on an aggressive debt collection strategy which includes collecting all the debts held by government agencies and that the Board and management have since the year 2003/2004 managed to turn-around the Authority to profitability. However, the Committee counsels the Authority's Board and management to adhere to the requirements of the Public Procurement and Disposal Act, 2005 in procurement of good and services. Stringent measures need to be employed in execution of the newly commissioned Expansion and Rehabilitation of Jomo Kenyatta International Airport project.

10. **Kenya Wildlife Service:** As pointed out in the 13th Report, Kenya Wildlife Service does not have ownership documents for most of its land, comprising of National Parks and Reserves. Some parts including water catchments areas and *Riparian* lands have either been allocated to third parties or are encroached. Noting that this aspect has had negative impact on conservation of Wildlife, the Committee urges the Director of the Service, the parent Ministry and the Ministry of Lands to move with speed and ensure that KWS obtains title deeds for all its land. Where third parties have been allocated, such should be canceled and reverted to the Service. Further, the Director, National Environment Management Authority ensures that parcels of land of environmental significance like *Riparian Lands* and *Ramsar Sites* are safeguarded.

11. **Agricultural Finance Corporation:** the Corporation which jointly with ADC owns Development House was owed rent arrears totaling Kshs. 16,944,613 as at June 30, 2001. Until May, 2003, the property was managed by M/s. Lustman & Company owned by Esther Mathenge and Natalie Njanja Mathenge who defaulted remitting rent to the Corporation to the tune of Kshs. 29 million as at the time of termination. The Committee noted that the Corporation sued the agent vide HCCC 134 of 2004 for recovery of the un-remitted amount which was yet to be determined as at February, 2007. The Committee recommends that the Chief Executive closely follows the case and ensures that the agent pays all the un-remitted rent.

12. **State Corporation's liabilities to Government:** As at February 2007, Kenya Utalii College owed the government Kshs. 140 million as unpaid loan and interest, which dates as far back as 1996. Further, Kenya Wildlife Services owes Kshs.22,544,000 in respect of a Long Term Liability against the Government of Kenya which was unsurrendered revenue to the Ministry of Tourism and Wildlife which should have been surrendered to the Ministry upon commencement of KWS operations in 1989. In view of the fact that these two corporations are yet to be in stable financial positions, the Committee recommends that the government converts these obligations into grants.

13. In summary, most audit reservations related to procurement irregularities, lack of budgetary controls, land ownership, bad and doubtful debts, overpayment of board allowances, government debtors and non-submission of documents related to financial statements to the Controller and Auditor General.

STRENGTHENING OF PUBLIC AUDIT AND OVERSIGHT BODIES

The work of the Committee is enhanced by the Kenya National Audit Office, the Inspectorate of State Corporations, the Department of Government Investments & Public Enterprises (DGIPE) and such other bodies that complement each other in public audit and oversight, including the Kenya Anti-Corruption Commission. The Committee applauds the government for its efforts in strengthening public audit and oversight institutions. The Committee wishes to bring to the attention of the House the fact that there is need to strengthen the Inspectorate of State Corporations which was established under Section 18 of the State Corporations Act, Cap 446. The Office of the Inspector-General (State Corporations) has been helpful in advising and guiding the Committee in execution of its mandate. Furthermore, Inspector-General (State Corporations) has been instrumental in implementation of the Committee's recommendations. For instance, arising from the Committee's Reports, the Inspector-General (State Corporations) had seventy-one surcharge cases as at December 2004. These involved recovery of a total of Kshs.54,644,053. The Inspector-General (State Corporations) had compiled more than fifty cases for surcharge with a face value of over Kshs. 2 billion arising from 7th to 13th Reports of the Committee. However, the Inspectorate is faced with constraints which hinder proficient execution of its work. These include high staff turnover, inadequate specialized training, inadequate finances and long judicial procedures for recoveries. To improve effective and efficient execution of the Inspector-General's mandate, the Committee recommends that the Inspectorate be strengthened by way of:- improving its institutional capacity; training of staff in specialized areas; enhanced funding; employment of requisite and sufficient legal expertise; and enhancing its capacity to handle cases of fraud. The Committee also recommends that the institutional capacity of the State Corporations Appeals Board be strengthened to ensure speedy determination of cases.

IMPLEMENTATION OF PREVIOUS REPORTS

The House will note that, contrary to the common practice, this Report is not accompanied by the implementation status of the previous report. This is due to the fact that, by the time of going to the Press, the Treasury was yet to submit its memoranda on the Implementation Status of the 14th Report. Owing to exigencies of time, the Committee found it prudent to table this Report and thereafter table the Treasury Memoranda on Implementation Status of the 14th Report together with the next Report.

Further, the Committee has continually taken exception on the slow pace at which the Government has implemented the recommendations of this House arising from the previous reports. In this regard, the Committee abhorred the apparent lackluster approach employed by the offices of the Attorney General and that of the Director of Criminal Investigations Department in implementing the recommendations of the House, particularly where the Committee recommends for *"investigation and/or possible prosecution"*.

ACKNOWLEDGEMENT

The Committee wishes to record its appreciation to the various witnesses who appeared and adduced evidence before it.

Further, the Committee is indebted to the staff of the National Assembly, Kenya National Audit Office, the Inspectorate of State Corporations and the Department of Government Investments & Public Enterprises for the services they rendered to the Committee. It is their commitment and dedication to duty that made the work of the Committee and production of this Report possible.

HON. JUSTIN B. N. MUTURI, MP
(CHAIRMAN)

SIGNED.....

DATE.....12TH JULY, 2007.....

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF CAPITAL MARKETS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2004

1. STAFF LOANS AND ADVANCES.

The Authority's balance sheet reflects total staff loans and advances balance of Kshs.11,204,539 net of a provision for bad and doubtful debts of Kshs.1,992,017.

The provision related to a mortgage loan facility given to a former Chief Executive of the Authority, which has remained unserviced since April 2003 when the services of the former Chief Executive were terminated. The former Chief Executive owes the Authority a total of Kshs.4,402,817 out of the total staff loans and advances of Kshs.11,204,539 as at 30 June 2004. It is understood that the former Chief Executive has sued the Authority for termination of his services and it is not known how or when the case will be determined, thus putting in doubt the recoverability of the whole outstanding balance of Kshs.4,402,817.

The Committee heard evidence given by the Chief Executive that of the total staff loans and advances balance of Kshs. 11,204,539 recorded during the year under review, an amount of Kshs.4,402,817 is owed by Mr. Paul K. Melly, a former Chief Executive of the Authority.

The Committee also heard that:-

(i) **the amount was in respect of mortgage and other advances given to the former Chief Executive during his tenure;**

(ii) **the said Chief Executive was dismissed by the Government in April 2003 following an adverse investigation report by the Inspectorate of State Corporations. He thereafter filed a suit in the High Court for wrongful dismissal which is yet to be determined; and**

(iii) **the Authority is withholding the officer's terminal dues amounting to Kshs. 3,136,544.**

The Committee recommends that:-

(i) **since the former Chief Executive of the Authority Mr. Paul K. Melly was not on retirement scheme, the Authority continues withholding the amount of Kshs.3,136,544 owed to him as terminal benefits pending final determination of the dispute in court; and**

(ii) **the Chief Executive pursues the dispute in court and ensures that the interests of the Authority are safeguarded.**

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF CAPITAL MARKETS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2005

1. NEW TERMS AND CONDITIONS OF SERVICE

The Authority adopted, with effect from January 2005, new terms and conditions of service for members of staff resulting in additional expenditure of Kshs.3,001,166 during the year under review. The new terms and conditions of service were approved by the Human Resources Committee of the Board and implemented by management, contrary to Section 5(3) of the State Corporation Act (Cap 446), which requires that such terms and conditions of service be approved by the Full Board, the parent Ministry and the State Corporations Advisory Committee. In the circumstances, the propriety of the total expenditure of Kshs.3,001,166 incurred on new terms and conditions of service for staff could not be confirmed and was in breach of the law.

The Committee heard the evidence from the Chief Executive that:-

(i) in 2003 and following the findings of an investigation report by the Inspector-General (Corporations), Treasury directed the Board of Capital Markets Authority to commission an external firm of management consultants to carry out a detailed review of the Authority's organisation structure and staffing levels. This included the proposed new organisation structure, remuneration scales and other terms and conditions of service for employees, and also development of a revised Human Resources Manual. Messrs Ernst & Young Management Consultants were engaged to undertake this exercise;

(ii) the Board considered and approved the consultants' report on the new organisation structure and salary scales at its 100th meeting held on 12th November 2003. Salaries for staff members were accordingly adjusted to bring them in line with the new salary structure, resulting in additional payment of Kshs.3,001,166;

(iii) the new salaries were, however, not implemented until January 2004 as the old Board was dissolved and a new Board appointed;

(iv) in January 2004, the Authority wrote to the Permanent Secretary, Treasury, seeking approval and clearance to implement the new organisation structure and staff recruitment programme; and

(v) Treasury granted approval vide letter reference ZZ 38/07/C dated 11 February 2004 for the recruitment exercise.

The Committee noted that the approval granted by the Treasury vide letter reference ZZ 38/07/C dated 11 February 2004 did not amount to authority for implementing new terms and conditions of service as it only contained clearance for the recruitment exercise.

The Committee recommends that the Chief Executive regularises the new terms and conditions of service and the expenditure of Kshs. 3,001,166.

2. STAFF LOANS AND ADVANCES

As pointed out in the previous year's report and as reflected in note 8 to the financial statements, the Authority's balance sheet reflects total staff loans and advances balance of Kshs.6,236,003 net of a provision for bad and doubtful debts of Kshs.1,922,017. The provision relates to a mortgage loan facility given to a former Chief Executive of the Authority, which has remained unserviced since April 2003 when the services of the former Chief Executive were terminated. The former Chief Executive owes the Authority a total of Kshs.4,402,817 out of the total staff loans and advances of Kshs.6,236,003. The Authority is holding his Kshs.2,912,505 terminal dues and has provided specific provisions of Kshs.1,922,017 all totaling to Kshs.4,834,512. Although the former Chief Executive has sued the Authority for wrongfully terminating his services, the outcome of the suit is uncertain and the recoverability of the Kshs.4,402,817 is therefore in doubt.

The Committee heard evidence given by the Chief Executive that of the total staff loans and advances balance of Kshs. 11,204,539 recorded during the year under review, an amount of Kshs.4,402,817 is owed by Mr. Paul K. Melly, a former Chief Executive of the Authority.

The Committee also heard that:-

(i) **the amount was in respect of mortgage and other advances given to the former Chief Executive during his tenure;**

(ii) **the said Chief Executive was dismissed by the Government in April 2003 following an adverse investigation report by the Inspectorate of State Corporations. He thereafter filed a suit in the High Court for wrongful dismissal which is yet to be determined; and**

(iii) **the Authority is withholding the officer's terminal dues amounting to Kshs. 3,136,544.**

The Committee recommends that:-

(iii) **since the former Chief Executive of the Authority Mr. Paul K. Melly was not on retirement scheme, the Authority continues withholding the**

amount of Kshs.3,136,544 owed to him as terminal benefits pending final determination of the dispute in court; and

(iv) the Chief Executive pursues the dispute in court and ensures that the interests of the Authority are safeguarded.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA AIRPORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2001.

1. FINANCIAL POSITION

During the year ended 30th June, 2001, the financial position of the Authority deteriorated further in that it recorded a loss of Kshs.282,952,000 compared to the year 1999/2000's loss of Kshs.246,312,000 thereby bringing the total accumulated loss to Kshs.1,107,293,000 as at 30th June, 2001. It was noted that although the balance sheet as at 30th June, 2001 reflects a positive working capital of Kshs.2,014,048,000 the debtors performance record shows that out of debts totaling Kshs.875,306,868, a sum of Kshs.378.5 million represents debts owed by Government agencies such as the Civil Aviation Authority (CAA), Embakasi Garrison and the Kenya Airport Police, all of which had made no payment since the Authority's inception in 1991.

A further Kshs.243,307,674 is indicated to have been the owed by Government of Kenya for more than six years. It is not clear what efforts the Authority has made to resolve the matter. The balance sheet cash and bank balance of Kshs.364,178,000 includes Kshs.303,015,476, which is an accumulation of Kshs.5 million monthly deposit in a reserve account together with interest thereon, at a Nairobi bank in accordance with the terms of a financial credit agreement for the rehabilitation of major facilities at Jomo Kenyatta International Airport (JKIA).

The contract agreement between the Authority and the financiers requires that the Authority deposits the cash into their account but cannot access such money once deposited in the account by way of withdrawal except with the consent of the financiers. The Authority's financial position, considering that Kshs.2.6 billion from one of the financiers was due for repayment on half-yearly basis as from November, 2002, was therefore basically weak and it was not possible to confirm the Authority's preparedness or ability to service the loan and continue to meet its day-to-day financial obligations. The continued operations of the Authority will, therefore, depend on the support of the Government and creditors.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Authority recorded a loss of Kshs.282,952,000 which was an increase from the previous year's figure of Kshs. 246,312,000. The Committee also heard that part of the loss was attributable to loss on disposal of fixed assets that realized a loss of Kshs. 229,877,855, which was recorded as an extraordinary item and net exchange loss of Kshs. 263,978,129 in respect of the Credit Agricole Indosuez (now Bank of Africa) account.

The Committee was informed that the Authority has since embarked on an aggressive debt collection strategy which includes collecting all its debts in the Government agencies such that: -

(i) Kshs.181 million owed by Kenya Pipeline Company (KPC), was referred for arbitration which determined that KPC pays the Authority Kshs. 103 million. KPC offered to pay monthly installments of Kshs.5 million with effect from July 2005. KPC has since made a counter claim for maintenance of the hydrant system. Negotiations are underway between the two Corporations on how best to handle the matter;

(ii) in the matter of Kshs.80 million owed by the Directorate of Civil Aviation (DCA) as lease and rent fees, KAA has since negotiated with the newly formed Kenya Civil Aviation Authority (KCA) which has since paid Kshs. 10 million. The two Corporations are discussing the way forward on how to treat the balance accrued while KCA operated as DCA;

(iii) an amount of Kshs 1.3 million owed by Kenya Airports Police for supply of utilities to police stations within the airport has since been written off;

(iv) the amount of Kshs.303,015,476 was held by Credit Agricole Indosuez (Bank of Africa) in a reserve account is a security deposit in which the Authority has no access in accordance with the contract. To reduce the net exchange loss, the management has since converted the loan due to Credit Agricole Indosuez from a Euro to a US dollars account; and

(v) an amount Kshs 243,307,674 which was owed by the GoK as payment relating to rehabilitation of Moi International Airport (MIA) was absorbed by Authority in the year 2001/2002 as part of its assets since MIA is now under the Authority.

The Committee also heard that the Authority's, Board and management have since the year 2003/2004 managed to turn-around the Authority to profitability.

The Committee recommends that the Chief Executive:-

(i) ensures that Kenya Pipeline Corporation fully pays the outstanding debt. Should KPC fail to pay promptly, the Authority should offset any outstanding debt with what it owes KPC for maintenance of the hydrant system;

(ii) expedites the ongoing negotiations with Kenya Civil Aviation Authority (KCAA) with a view to ensuring that KCAA pays the balance accrued when they were operating as Directorate of Civil Aviation; and

(iii) ensures that the Authority is in sound financial position, profitable, meets its financial obligations and remits dividends to the Government.

2. TERMS AND CONDITIONS OF SERVICE FOR MANAGING DIRECTOR AND DEPUTY MANAGING DIRECTOR

In March 1999, the Board of Directors of KAA approved revised consolidated salaries for the Managing Director and the Deputy Managing Director effective from January, 1999 and other allowances which included car allowances of Kshs.140,000 and Kshs.100,000 per month for the MD and Deputy MD respectively. The car allowances were, however, payable to the officers on conditions that they do not use official transport.

Available information shows that the officers were provided with official transport which they use throughout the year and at the same time continue to draw car allowances, thereby occasioning irregular payment of Kshs.2,880,000 to both officers for the year ended 30th June, 2001.

There was also no evidence that these allowances were taxed as provided for in the Income Tax Act, Cap 470. Further, the Authority did not provide information to confirm that the terms and conditions of service of the two employees of the Authority were approved by the parent Ministry as required under Section 11 (c) of the Kenya Airports Authority Act Cap.395.

The Committee heard the evidence given by the Chief Executive that car allowances for the Managing Director (MD) and the Deputy Managing Director (DMD) of Kshs.140,000 and Kshs.100,000 per month respectively were consolidated on their salaries on condition that they would not use official transport.

The Committee further heard that the allowances were introduced on understanding that the two vehicles attached to the officers would be released to the pool and as such, they would only use them on official business.

The Committee also heard that salary increase for the senior managers with effect from January 1999 was done in accordance with Section 10(B) of KAA Act, which provides that "*in exercise of its duty under Section 8 and subject to any directions of a general nature which may be given by the Minister, the Board may approve any minor alteration in salaries, wages and other terms and conditions of service of employees*" The detailed computations of arrears in respect to the increase have since been submitted to the Controller and Auditor General for audit review.

The Committee observed with concern that:-

(i) by determining and approving terms and conditions of MD, the KAA Board of Directors acted *ultra vires*, since Section 6 and 7 of Kenya Airport Authority Act Cap 395 expressly vests the powers of determining the remuneration, fees or allowances of its directors (MD included) to the Minister (parent) after consultation with the Minister for Finance;

(ii) the Authority irregularly expended a total of Kshs.2,880,000 on car allowances to its MD and DMD while they had official cars for their use throughout the year; and

(iii) in absence of any evidence to the contrary, it would appear that the above allowances were not taxed in contravention of the Income Tax Act and relevant regulations.

The Committee recommends that:-

(i) the Chief Executive seeks post facto Authority from the parent Ministry on the expenditure that the authority expended on terms and conditions of service of the Managing Director;

(ii) the KAA Board ensures that future terms and conditions of service for the Managing Director are in accordance with KAA Act, Cap 395 and the State Corporations Act;

(iii) the Chief Executive ensures that car allowances payable to himself and the Deputy Managing Director and any other officer(s) are in accordance with the terms and conditions applying to both; and

(iv) the amount of Kshs.2,888,000 be recovered from the then Managing Director and Deputy Managing Director.

3. COMPUTERISATION PROJECT OF JOMO KENYATTA INTERNATIONAL AIRPORT AND KENYA AIRPORTS AUTHORITY HEADQUARTERS.

During the year 1998/1999, KAA spent a total of Kshs.164 million being payment of various firms contracted to computerize the Authority's operations at JKIA and its Head Office. However, in spite of having spent such a large sum on computerization, the Authority continued to pay Kshs.8,927,166 every year all totalling to Kshs.26,781,498 as at 30th June, 2001 to a foreign firm being annual license fee for an accounting system software which, according to the records seen, had completely failed. It had not been commissioned with the result that the Authority had resorted to keeping its books of accounts using manual records.

Under the circumstances, it would appear that the Authority has made contractual payments totalling Kshs.26,781,498 to the end of June for a system that had failed to provide the required service.

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

(i) the contract was part of a major computerization project at the Authority, which was awarded to M/s. Dynatech International, in which Dr. Merlyn Ketering (of Anglo Leasing Ltd) was a Director. Executive Support Consultants Limited of Gaily and Roberts Complex, Lusaka Road, Nairobi, were appointed to provide consultancy services in March 1999 at a total cost of US$760,000. The consultancy service was to be provided in four phases namely:- Needs Assessment, Implementation, Diagnosis and Evaluation & Performance Review;

(ii) the following aspects were implemented and paid for at Kenya Airports Authority Headquarters and Jomo Kenyatta International Airport:-

(a) Local Area Network infrastructure by Azicon Engineering Services Ltd at Kshs.26,957,260.00,
(b) Clustering hardware and software by Circuit Business Systems at Kshs.18,800,791,
(c) Computer servers and hardware by Copy Cat at a cost of Kshs.22,961,620.00,
(d) Lotus Messaging System (Lotus Domino) and Microsoft Office Automation packages by Copy Cat at a cost of Kshs.7,470,168,
(e) Financial Management Information System and Aircraft Movement Management System by Macola of South Africa at a cost of US$752,000,
(f) Financial Management System and Aircraft Movement Management System by Enterprises Software Solution at a cost of Kshs.13,362,320 (Moi International Airport, Mombasa),
(g) M.S Office Automation and Messaging by Copy Cat at a cost of Kshs.2,392,782 (Moi International Airport, Mombasa).

(ii) even after paying the full amount of US$760,000 to Dynatech International, some aspects of phase 3 and 4 which included Implementation & Evaluation and Performance were not completed;

(iii) by March 2003, the Authority had spent Kshs.21,371,487.00 as annual license fees on top of Kshs.67,918,118 incurred on supply and installation of the software. Even though the cabling and hardware provided were in good condition as at March 2006, the management realized that the Integrated Financial Management System (Macola) and Aircraft Movement Management System (Ammslite), both

supplied by M/s. Enterprise Software Solution were not meeting user requirements. This compelled the Authority to work manually, despite the annual license fees demanded by the firm to the tune of US$90,266.40 per year which was terminated thereafter;

(iv) due to non performance of the system, the Authority in April 2003 declined to pay license fees leading to denial of access to the system. M/s Enterprise Software Solutions Limited later sued the Authority for breach of contract and the matter is pending before the High Court (as at the time of hearing the evidence); and

(v) the tenders were awarded during the tenure of Mr. Peter K. Lagat as the Chief Executive Officer of the Authority.

The Committee noted that the Authority continued paying annual license fee while the Software was not working. The Authority should have stopped paying the license fee when they noticed that the system was not working.

The Committee recommends that:-

(i) the Chief Executive ensures that government regulations regarding to procurement of goods and services are adhered to without exemption;

(ii) the Director, Kenya Anti-Corruption Commission immediately institutes investigations into the manner in which the Computerization Consultancy Tender was adjudicated and awarded to M/s. Dynatech International with a view to preferring charges against any person(s) found culpable;

(iii) the Chief Executive follows closely on the High Court case with M/s Enterprise Software Solution and ensures that the interests of the Authority are safeguarded; and

(iv) the Chief Executive ensures that M/s. Enterprise Software Solution Ltd compensates for the non-performing part of the computerization project.

4. PAYMENT OF COMPENSATION

In July 2001, the Authority paid a total of Kshs.208,106,721.90 in compensation to a firm following termination of a tenancy and concession agreement entered into by the parties in November 1993 on the grounds that the firm had failed or delayed in the payment of fees. The payment represented an award which was later confirmed by the High Court sitting in Nairobi made by the arbitrator appointed by the two parties in accordance with Section 33 (1) of the Kenya Airports Authority (KAA) Act, Cap 395.

Records maintained for the concession and made available during the audit, however, indicate that the firm had from the very beginning refused or failed to pay the agreed rent as and when it fell due and that most of it was settled only when the case was already before the arbitrator more than three years later. The Authority, however, took no action reportedly due to lack of any terms of reference in concession agreement. It would appear that the Authority could have saved Kshs.208,106,721.90 paid in compensation and a further Kshs.848,189.50 paid to the arbitrator had it entered into an agreement properly drawn with clearly defined terms of reference in tenancy and concession agreement.

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

(i) **during the year under review, the Authority paid Messrs Air East Africa a total of Kshs. 208,106,721.90. The payment, which was later confirmed by an appointed arbitrator, was in respect of compensation of termination of tenancy and concession agreement, which was entered between KAA and Messrs Air East Africa in November 1993;**

(ii) **on termination of the agreement, Messrs Air East Africa sued the Authority and the matter was referred for arbitration. The arbitrator was paid a total of Kshs. 848,189.50;**

(iii) **the then KAA management and advocate duly defended KAA's position in the ensuing arbitration and argued that it was entitled to terminate the agreement and evict Messrs Air East Africa. However, the arbitrator ruled in favour of Messrs Air East Africa.**

The Committee noted that it had deliberated on the matter of lease and concessioning agreement between KAA and Messrs Air East Africa and in its 10th Report wherein it expressed displeasure on the manner in which the then Chief Executive of KAA committed the authority to Lease and Concession contracts without properly drawn agreements.

The Committee recommends that the Chief Executive ensures that the interests of the Authority are safeguarded in all future Lease and Concession Agreements at KAA.

5: AVOIDABLE EXPENDITURE

During the year 2000/2001, the Authority paid a total of Kshs.36,927,061 to Kenya Revenue Authority (KRA) in Value Added Tax penalties and Income Tax late payment interests due to the failure to pay taxes on time. The taxes would have been paid by two foreign firms awarded contracts on rehabilitation of Jomo Kenyatta International Airport (JKIA) and its computerization, including the Kenya Airports Authority (KAA) respectively. However, the Authority, while signing the contract, decided to exempt

from paying tax, the two foreign firms in respect of the two contracts, without first obtaining a certificate of exemption from the relevant tax authorities. Had the Authority not made the mistake of exempting the two firms from payment of taxes without a valid certificate of exemption, the Authority would have avoided the payment of Kshs.36,927,061.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Authority paid a total of Kshs. 36,927,061 to KRA as value added tax penalties and income tax late payment interest due to failure to pay taxes on time.

The Committee further heard that: -

(i) **this begun in 1989 when Jomo Kenyatta International Airport (J.K.I.A) was being rehabilitated under a grant from the French Government. During the time, the Authority was experiencing budgetary constraints and as such rehabilitation of facilities at the airport was only possible as a turnkey project comprising of financing, consultancy and construction;**

(ii) **the contractors were therefore contracted to carry out the rehabilitation project on turnkey basis at negotiated contract fees, free of tax on assumption that KRA would grant tax waiver on the contracts since the works would be done on the airside; and**

(iii) **on request later, Treasury declined to grant duty waiver. Subsequently, the Authority met the duty obligation by paying part of it directly while the other part was pegged on loan repayment. The total payment made to KRA in this respect was Kshs. 36,927,061.**

The Committee expressed displeasure at the manner in which the then Chief Executives of the Authority, Mr. P. Lagat and thereafter, Ms. Janet Ong'era negotiated contracts with foreign firms at tax free rates even without satisfying themselves that KRA would waive such taxes, thereby committing the Authority to the avoidable expenditure of Kshs. 36,927,061.

The Committee recommends that the Chief Executive ensures that the interests of the Authority and public funds are safeguarded in any future contracts.

6. LEGAL FEES

In the year 2000/2001, the Kenya Airports Authority (KAA) paid a Nairobi law firm a total of Kshs.5,078,962.30 as fees for services said to have been rendered in defending the Authority in various law suits. Although all the payment vouchers were made available for audit review, no explanation was given as to how the law firm was

identified. The details attached to various payment vouchers were also so scanty that it was not possible to confirm that the payments were within the provisions of the Advocates Remuneration Order as amended in 1997. Further, included in the above payments is Kshs.2,498,346, which though supported by payment vouchers, was not accompanied by documents indicating the value of the suit for which it was made.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Authority paid a total of Kshs. 5,078,962.30 to M/s Keriako Tobiko and Co. Advocates for an arbitration dispute between Messrs Air East Africa and the KAA. The advocate was among those pre-qualified under the Authority's procurement regulations.

The Committee was informed that the payments paid to the said advocate firm were in accordance with Advocates Remuneration Order (amended in 1997) thereby resolving the audit query.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA AIRPORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2002

1. FINANCIAL POSITION

The Authority's financial position deteriorated further during the year in that it recorded a loss of Kshs.626, 021,597 compared to Kshs.Kshs.282, 951,892 in the previous year thereby bringing the accumulated losses to Kshs.1, 949,061,000 as at 30 June 2002. Although the Authority continued to reflect a positive working capital, the debtors' performance records show that its debt collection machinery was weak as debts amounting to Kshs.378.5 million owed by Government Agencies were aged between 270 days and 9 years. The recoverability of these debts is, therefore, doubtful.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Authority recorded a loss of Kshs.626,021,597, which was an increase from the previous year's figure of Kshs. 282,951,892. The Committee also heard that the part of the loss was attributable to loss on disposal of fixed assets that realized a loss of Kshs.229,877,855, which was recorded as an extraordinary item.

The Committee was informed that the Authority has since embarked on aggressive debt collection strategy which includes collecting all the debts in the Government agencies such that: -

(i) **Kshs.181 million owed by Kenya Pipeline Company (KPC), was referred for arbitration which determined that KPC pays the Authority Kshs. 103 million. KPC offered to pay monthly installments of Kshs.5 million with effect from July 2005. KPC has since made a counter claim for maintenance of the hydrant system. Negotiations are underway between the two Corporations on how best to handle the matter;**

(ii) **in a matter of Kshs.80 million owed by the Directorate of Civil Aviation (DCA) as lease and rent fees, KAA has since negotiated with the newly formed Kenya Civil Aviation Authority (KCAA) which has since paid Kshs. 10 million. The two Corporations are discussing the way forward on how to treat the balance accrued while KCAA operated as DCA;**

(iii) **the amount of Kshs 1.3 million owed by Kenya Airports Police for supply of utilities to police stations within the airport has since been written off; and**

(iv) **the amount Kshs 243,307,674 which was owed by the GoK as payment relating to rehabilitation of Moi International Airport (MIA) was**

absorbed by Authority in the year 2001/2002 as part of its assets since MIA is now under the Authority.

The Committee also heard that the Authority's, Board and management have since the year 2003/2004 managed to turn-around the Authority to profitability and retention of surplus.

The Committee recommends that the Chief Executive:-

(i) ensures that Kenya Pipeline Corporation fully pays the outstanding debt. Should KPC fail to pay promptly, the Authority should offset any outstanding debt with what it owes KPC for maintenance of the hydrant system;

(ii) expedites the ongoing negotiations with Kenya Civil Aviation Authority (KCAA) with a view to ensuring that KCAA pays the balance accrued when they were operating as Directorate of Civil Aviation; and

(iii) ensures that the Authority is in sound financial position, profitable, meets its financial obligations and remits dividends to the Government.

2. FIXED ASSETS

The Fixed Assets figure of Kshs.15,675,302,000 excludes undetermined value of several pieces of land with total area of 1078.38 hectares which was identified in fixed assets register as Eldoret International Airport, Embakasi Village and Kakamega, Nakuru, Nanyuki and Chuka Airstrips. In addition, land records maintained by the Authority indicated that the land area recorded in the Assets Register was in excess of that indicated in the title documents by 1,168.83 as follows:-

Airport	Area Assets Register (Ha)	Area as per Title (Ha)	Excess (Ha)
Jomo Kenyatta International	4660.00	4445.00	215.00
Malindi	520.00	100.00	419.40
Kisumu	632.00	206.09	425.91
Manda	300.00	194.00	106.00
Moi International	600.00	538.76	61.24
Kitale	26.32	92.82	(66.50)
Ukunda	47.59	39.81	7.78
TOTAL	**6785.91**	**5617.08**	**1,168.83**

The discrepancy of 1,168.83 hectares between the register and the title deeds has not been reconciled. In view of the omissions and discrepancies mentioned above, it was

not possible to confirm the correctness of the fixed assets balance of Kshs.15,675,302,000 as at 30 June 2002.

The Committee heard evidence given by the Chief Executive that during the year under review, the fixed assets figure of Kshs.15,675,302,000 excluded undetermined value of several pieces of land with total area of 1078.38 hectares. Further, there existed discrepancies in the assets register maintained by the Authority and title documents in respect of total acreage of several parcels of land.

The Committee was informed that:-

(i) Moi International Airport, Kakamega and Nakuru airstrips which had not been valued at the time of audit were later valued in November 2004 and book adjustments made in the financial year 2004/2005; and

(ii) the Authority has since updated its fixed assets register and reflected the corrected position in its accounts for the year ended 30th June 2005, thereby resolving the Audit query.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA AIRPORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2003.

1. FINANCIAL POSITION

As in the previous year, the Kenya Airports Authority's financial position continued to deteriorate, in that it posted a loss after tax, amounting to Kshs.422,424,617 compared to loss of Kshs.626,021,598 in the previous year, thereby increasing the adjusted accumulated losses to Kshs.3,427,788,000 from the previous year's figure of Kshs.1,949,061,000. It was further noted that although the Authority's balance sheet reflects a positive working capital of Kshs,1,213,258,000, the debtors performance records show that debts aging more than 270 days totaling Kshs.378.5 million are owed by Government agencies, which had not made any payments ever since the Authority's inception in 1991. In addition, debts totaling Kshs.246,845,410 owed by both the Kenya Pipeline Company Ltd. and the World Food Programme were in dispute and counter claims have been made by the two organizations. The recoverability of such debts included in the Balance Sheet figure of Debtors and Receivables of Kshs.1,059,856,000 therefore remains doubtful. Further, Current Assets include a balance of Kshs.465,491,148 in Reserve Account at Credit Agricole de Indosuez Bank in Nairobi which, owing to related terms of loan contract, the Authority has no access to it. The Authority's financial position continues to be weak and considering the yearly repayment, estimated at EU 5,000,000 on KBC Bank N.V. of Belgium loan which matured during the year under review, it is doubtful whether the Authority will be able to generate adequate funds to meet its currently maturing obligations without resorting to borrowing.

The Committee heard the evidence given by the Chief Executive that during the year under review, the financial position of the Authority continued to deteriorate as it posted an after tax loss of Kshs.422,424,617. The Committee further heard that most of the losses were attributed to; net exchange loss of Kshs. 263,978,129 in respect of the Credit Agricole Indosuez (now Bank of Africa) account; Extra-ordinary item (Legal fees) of Kshs. 96,099,698 relating to Green Corner Restaurant case and Government debtors.

The Committee was informed that the Authority has since embarked on aggressive debt collection strategy which includes collecting all the debts in the government agencies such that:-

(i) **the Kshs. 181 million owed by Kenya Pipeline Company (KPC), was referred for arbitration which determined that KPC pays the Authority Kshs. 103 million. KPC offered to pay monthly installments of Kshs. 5 million with effect from July 2005. KPC has since made a counter claim for maintenance of the hydrant system. Negotiations are underway between the two Corporations on how best to handle the matter;**

(ii) in the matter of Kshs 80 million owed by the Directorate of Civil Aviation (DCA) as lease and rent fees, KAA has since negotiated with the newly formed Kenya Civil Authority (KCAA) which has since paid Kshs 10 million. The two Corporations are discussing the way forward on how to treat the balance accrued while KCAA operated as DCA;

(iii) the amount of Kshs 1.3 million owed by Kenya Airports Police for supply of utilities to police stations within the airport has since been written off;

(iv) the amount Kshs 243,307,674 which was owed by the GoK as payment relating to rehabilitation of Moi International Airport (MIA) was absorbed by authority in the year 2001/2002 as part of its assets since MIA is now under the Authority;

(v) the amount of Kshs. 63 million owed by World Food Programme has since been paid in full;

(vi) the amount of Kshs. 465,491,148 held by Credit Agricole Indosuez (Bank of Africa) in the reserve account is a security deposit in which the Authority has no access in accordance with the contract to reduce the net exchange loss, the management has since converted the loan due to Credit Agricole Indosuez from a Euro to a US dollars account; and

(vii) the Authority recorded a loss of Kshs. 88,621,225.55 when a longstanding dispute between itself and M/s Green Corner Restaurant was determined by an arbitrator in favour of the latter.

The Committee also heard that the Authority's, Board and management have since the year 2003/2004 managed to turn-around the Authority to profitability.

The Committee recommends that the Chief Executive: -

(i) ensures that Kenya Pipeline Corporation fully pays the outstanding debt. Should KPC fail to pay promptly, the Authority should offset any outstanding debt with what it owes KPC on maintenance of the hydrant system;

(ii) expedites the ongoing negotiations with Kenya Civil Aviation Authority (KCAA) with a view to ensuring that KCAA pays the balance accrued when they were operating as Directorate of Civil Aviation; and

(iii) ensures that the Authority is in sound financial position, profitable, meets its financial obligations and annually remits dividends to the Government.

2. FIXED ASSETS

As previously reported, the Fixed Assets figure of Kshs.18,215,470,000 as at 30 June 2003 excludes an undetermined value of land measuring 1,073.36 hectares at Embakasi Village, Eldoret International Airport and airstrips at Kakamega, Nakuru, Nanyuki and Chuka. In the absence of valuations of these pieces of land, it was not possible to confirm the propriety of the fixed assets Balance Sheet figure of Kshs.18,215,470.00.

The Committee heard evidence given by the Chief Executive that during the year under review, the fixed assets figure of Kshs. 18,215,470,000 as at 30 June 2003 excluded an undetermined value of land measuring 1,073.36 hectares at Embakasi Village, Eldoret International Airport and airstrips at Kakamega, Nakuru, Nanyuki and Chuka.

The Committee was informed that :-

(i) **the value of Embakasi village land has since been incorporated in the books of accounts of the Authority as the ownership dispute between Nairobi City Council and the Authority was resolved; and**

(ii) **whilst Kakamega, Kitale, Nanyuki and Nakuru airstrips were valued and their book values adjusted in 2004/2005 financial year, the Authority has since asked Chuka Municipal Council to re-allocate the Chuka airstrip land (25.13 ha) for other use as it is insufficient for purposes of an airstrip since the nearby Embu Airstrip serves the area.**

The audit reservation was resolved.

3. NUGATORY PAYMENT – KSHS.88,621,255.55

In November 1999, the KAA received unsolicited proposal from a Nairobi private firm trading as a restaurant for improvement of KAA Transit Lounge and in January 2000, the Authority, without approval of the Board and without competitive tendering as required by the public procurement procedures, offered the company space measuring 1,712 sq ft on 2nd floor of JKIA Building for a five and a half years lease term with effect from 1st February 2000. The offer was subject to signing of Lease and Concession agreements, which agreements were never signed and for that reason, it is doubtful whether there existed any enforceable contract. However, the Authority in April 2001, withdrew the offer due to what was termed as capacity constraints and security of transit offer. Consequent upon the termination of offer by the Authority, the firm, in March 2002, went to court claiming a refund of Kshs.85,000,000 from KAA for wasted

expenditure, unspecified amount for loss of anticipated profits, punitive damages, costs and interest. Subsequently on September 14, 2002, the Court referred the case to a sole arbitrator in accordance with the provisions of Section 33 of the Kenya Airports Authority Act, (Cap.395) which requires compensation to be determined by the arbitrator where persons suffer damage when the Authority exercises its powers under Sections 12, 14, 15 and 16 of the same Act. The arbitrator accordingly determined and awarded the restaurant firm Kshs.88,621,225.55 as follows:-

	Kshs
Mobilization fee plus Interest M/s Crescent Const. Co. Ltd	33,665,726.00
V.K. Construction Company plus 13% interest	2,471,347.50
Importation of Restaurant Equipment plus 13% interest	6,694,463.10
Refund for purchase of specialized furniture & fittings	1,472,757.00
License fee paid CCK plus interest	13,835.00
Importation of communication fee	329,808.40
Compensation of computer services plus 15% interest	37,223,287.70
Loss of anticipated profits	6,750,000.00
	88,621,225.40

The above amount was paid by the Authority on January 10, 2003. The arbitrator, in addition, awarded the firm two other amounts totaling Kshs.8,058,473.70 which the Authority will have to pay being costs of the award.

Coincidentally, the Arbitrator turned out to be the same firm of lawyers that had been contracted by the Authority earlier, in December 2000, to advice it on how to avoid the kind of liability claims the restaurant firm was making in March 2002, and it is, therefore, not understood why such a claim should ever have arisen. It was noted that the above award of Kshs.88,621,225.55 included compensation for restaurant equipment of Kshs.6,694,463.10 and specialized furniture and fittings of Kshs.1,472,757.00 which would have been transferred to the Authority's possession after full satisfaction of the award. Although the Authority received the equipment and fittings on 24 April, 2004 after the matter was raised in an audit report in January 2004, the invoice presented for the kitchen items showed a value of US$ 35,000 or Kshs.2,618,700. The invoice for furniture was not produced for audit review and the value could not be confirmed.

Further, a visit to the project site on 2nd floor of JKIA building by auditors in August 2002 did not show any evidence of construction and the award of compensation for money paid to the Construction Company of Kshs.2,471,347.50 on the strength of work done of fitting a new JKIA Transit Lounge is seemingly unjustified. In the circumstances, the total expenditure of Kshs.88,621,225.55 appears unjustified and could have been avoided.

The Committee heard evidence given by the Chief Executive that the Authority in January 2000, acting on unsolicited proposal, offered M/s Green Corner

Restaurant Nairobi a space for a 5-year term with effect from January 2000 for purposes of improvement of KAA Transit Lounge. This was done without Board's approval and in disregard to Public Procurement Procedures.

The Committee also heard that the Authority withdrew the offer in April 2001 occasioning the private firm to seek legal redress. The matter was referred for arbitration whereby the private firm was awarded Kshs. 96,679,699.10, which the Authority honoured in January 2003.

The Committee was also informed that: -

(i) the arbitrator was Mr. Lee Muthoga of M/s Intellectual Resources Centre. The same firm had earlier been contracted by the Authority to provide Preventive Law Consultancy Services in May 2000 at Kshs. 2 million;

(ii) the award included compensation for restaurant equipment of Kshs.6,694,463.10 and specialized furniture and fitting of Kshs.1,472,757.00 which would have been transferred to the Authority's possession after full satisfaction of the award. However, the Authority only entered a note in the accounts of 2004/2005 for assets amounting to Kshs. 3.6 million. This was due to the fact that the Authority asked the Director of Criminal Investigation Department to investigate and reconcile the assets list provided by Green Corner Restaurant and what physically existed; and

(iii) even though Lease & Concession agreement were not signed between the Authority and the Green Corner Restaurant to formalize the lease, the arbitrator ruled that the Authority's letter of 19th January 2000 to the firm and as amended by subsequent correspondences, constituted a legally binding relationship between the parties, hence the award.

The Committee noted with concern that the Authority failed to refer the award to the High Court for confirmation prior to satisfaction of the amount awarded.

The Committee recommends that:-

(i) the director Kenya Anti-Corruption Commission institutes investigations on the circumstances and the manner in which KAA offered and thereafter withdrew the lease space at JKIA to M/s. Green Corner Restaurant and the determination and execution of the arbitration between the two parties with a view to making appropriate recommendation(s) on the matter;

(ii) the Director of Kenya Anti-Corruption Commission includes a progress report on the said investigation in the Commission's quarterly report to the House for the next immediate period ;

(iii) the Chief Executive pursues the matter of verification and reconciliation of the equipment ostensibly delivered by M/s. Green corner Restaurant with the Director of Criminal Investigations Department and ensures that the interests of the Authority are safeguarded; and

(iv) the Chief Executive ensures that procurement of goods and services at the Authority is done in accordance with the Public Procurement and Disposal Act, 2005.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA AIRPORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2004.

1. LONG TERM LOAN

In 1998/99, the Authority obtained a loan of Euros 34,599,359 from a foreign bank repayable in two annual installments of Euro 1,729,968 for ten years with a two-year moratorium. During the year, payment towards the loan amounted to Kshs.467,762,115.00 out of which Kshs.148,076,139.00 was interest, Kshs.296,952,793.00 was forex loss and only Kshs.22,733,183 going to repayment of the principal loan. The Authority separately paid Kshs.19,656.042.00 to Kenya Revenue Authority as withholding tax on interest paid in accordance with loan agreement, which could have been avoided had the Authority obtained a Certificate of Exemption from Kenya Revenue Authority before the loan agreement was signed. Failure to obtain the Exemption Certificate has not been explained. The management has explained that the Authority intends to renegotiate payment of the tax when it will discuss the conversion of the loan from Euro to US Dollars.

The Committee heard evidence given by the Chief Executive that in 1998/1999, the Authority obtained a loan of Euros 34,599,359 from a foreign bank repayable in two annual instalments of Euro 1,729,968 or ten years with a two-year moratorium.

The Committee noted that out of the Kshs.467,762,115.00 made by Authority during the year under review towards payment of the loan, Kshs. 148,076,139.00 was interest, Kshs. 296,952,793.00 was foreign loss and only Kshs. 22,733,183.00 went to actual repayment of the principal loan.

The Committee also noted that management has since converted the loan to US dollars. This has eliminated the associated exchange losses, as the Authority is able to service the loan through US dollars receivables.

The Committee noted that the contract was not properly drawn as the liability of withholding tax falls under the lender, in this case, the bank, and not the Authority. Had the contract been properly drawn, the Authority would have avoided this expenditure.

The Committee recommends that:-

(i) **the then Chief Executive, P. Lagat be censured and barred from holding public office conferred by the republic of Kenya for committing the Authority to the said improperly drawn loan agreement which has continued to overstrain the Authority's finances;**

(ii) the Chief Executive ensures that the Authority services its loan obligations promptly; and

(iii) the Chief Executive ensures that the interests of the Authority are safeguarded in any future loan agreements.

2. FIXED ASSETS

As noted in my previous year's report, Fixed Assets figure of Kshs.17,367,431,000 excludes land measuring 1073.36 hectares at Embakasi Village, Eldoret International Airport and airstrips at Kakamega, Nakuru, Nanyuki and Chuka. Most of the land has since been valued with exception of Embakasi village and Chuka airstrip measuring 21.2432 and 25.13 hectares respectively, which are still excluded from the balance sheet fixed assets figure of Kshs.17,367,431,000. Consequently, in light of the above, I am unable to reflect the fair values of the properties as at the balance sheet date.

The Committee heard evidence given by the Chief Executive that during the year under review, the fixed assets figure of Kshs.18,215,470,000 as at 30 June 2003 excluded an undetermined value of land measuring 1,073.36 hectares at Embakasi Village, Eldoret International Airport and airstrips at Kakamega, Nakuru, Nanyuki and Chuka.

The Committee was informed that:-

(i) the value of Embakasi village land has since been incorporated in the books of accounts of the Authority as the ownership dispute between Nairobi City Council and the Authority was resolved; and

(ii) whilst Kakamega, Kitale, Nanyuki and Nakuru airstrips were valued and their book values adjusted in 2004/2005 financial year, the Authority has since asked Chuka Municipal Council to re-allocate the Chuka airstrip land (25.13 ha) to other use as it is insufficient for purposes of an airstrip since the nearby Embu Airstrip serves the area.

The audit reservation was resolved.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA REINSURANCE CORPORATION LIMITED FOR THE YEAR ENDED 31ST DECEMBER 2005

1. PUBLICATION OF FINANCIAL STATEMENTS

Contrary to the terms of appointment of the authorized auditors stipulated in the letter of appointment dated 28 July 2005 and the provisions of Section 39(3) to (6) of the Public Audit Act, 2003, the authorized auditors on 15 March 2006 issued an audit report to the members of Kenya Reinsurance Corporation Ltd. Upon receipt of the report, management on 17th March 2006 published the company's accounts purporting to have been duly audited and received an unqualified opinion. By that date, however, the accounts were still in draft form pending the issuance of my report in accordance with the law. No satisfactory explanation has been given as to why the appointed auditors as well as the Corporation contravened the provisions of Section 39(3) – (6) of the Public Audit Act, 2003.

The Committee heard evidence given by the Chief Executive that contrary to Section 39(3) to (6) of the Public Audit Act, 2003, the management of the Corporation, on 17th March 2006, published the Corporation's accounts purporting to have been duly audited and received an unqualified opinion. The Committee also heard that:-

(i) the said accounts were in draft form pending certification by the Controller and Auditor General. The appointed auditor was M/s. KPMG;

(ii) when the Board received the Accounts, they went ahead to publish them without seeking the certification of the Controller and Auditor General; and

(iii) the Corporation's Board authorised publication of the uncertified accounts on the grounds that it is in the Corporation's best interest that the accounts be seen to have been audited by an independent auditor other than one that would be seen to be controlled by the sole shareholder.

Noting that the National Bank of Kenya and Industrial Development Bank had also been reported as having acted contrary to Section 39(3) to (6) of the Public Audit Act, 2003 by publishing uncertified accounts, the Committee took evidence from the Permanent Secretary, Ministry of Finance and the Investments Secretary wherein;

(i) the Committee held that the explanation given by the management of Kenya Reinsurance Corporation was inadequate as their fears are

adequately addressed by the Section 39(3) to (6) of the Public Audit Act, 2003;

(ii) the Committee asserted that, until such other time when the Law would be amended, all State Corporations falling within the definition of a state corporation as contained in CAP 446 must comply with the law, including Public Audit Act.

The Committee was concerned that the private audit firm had ostensibly given a qualified opinion on the financial statements of the Corporation for the year 2005 while the Corporation was thereafter found to have been grossly mismanaged leading to dismissal of its Chief Executive and Finance Manager in the year 2007.

The Committee therefore recommends that:-

(i) the Chief Executive of the Corporation ensures that the Corporation's financial statements are audited in accordance with the Public Audit Act,2003;

(ii) in future, private audit firms appointed by the Controller and Auditor General pursuant to Section 39(3) to (6) of the Public Audit Act, 2003 must ensure that they present their reports to him or her before presenting the same to the client Corporation;

(iii) the Chief Executives of the National Bank and Industrial Development Bank ensures that the Banks' financial statements are audited in accordance with the Public Audit Act, 2003; and

(iv) the Minister for Finance ensures that annual financial statements of all State Corporations including those in the Banking Sector are prepared in accordance with the Public Audit Act,2003 and tabled before the House.

2. LOSS ON SALE OF HOUSES – KSHS.87,983,164

During the year under review, the Corporation disposed off some of its houses held for sale and made a net loss on the sale of Kshs.32,409,997 (2004 – Kshs.49,431,469). Further, a loss of Kshs.6,141,698 was booked in the financial statements in the current financial year after a professional valuation in January 2005. The management has explained that the losses were occasioned by political pressure and manipulation, which were key drivers to investment decisions and that most projects were dictated by political expediency.

The Committee heard evidence given by the Chief Executive that the Corporation developed and constructed the Meru Housing project during the time the government had identified the District Focus for Rural Development policy (DFRD) as a vehicle for rural development. Construction of the estate commenced in 1992 and was finalised in 1996.

The Committee also heard that:

(i) the Meru Housing project was one of the many housing estates that the Corporation had embarked on in its bid to implement the government's DFRD policy. Other Housing projects included Migosi Housing Estate (Kisumu), Kapsoya Housing Estate (Eldoret) and Nyali Estate (Mombasa);

(ii) the total cost incurred during construction of the Meru Housing project was Kshs.267,785,707.85. The Corporation will realise a loss of Kshs. 84,462,500 when all the units are disposed off. As at May, 2006 a loss of Kshs. 38,551,695 had been recorded; and

(iii) the losses may have been occasioned by lack of interest by potential house buyers who perceived original prices as too high.

The Committee noted with concern that;

(i) it was imprudent for the Government to use the Corporation as a vehicle for implementing its DFRD policy through development of housing units as housing is not a core business of the Corporation;

(ii) the housing units was an imprudent investment; and

(iii) it was irresponsible on the part of the then directors of the Corporation to commit the public funds on housing projects whose viability was not supported by any feasibility studies.

The Committee recommends that the Chief Executive ensures that Corporation concentrates on its core business of re-insurance and is run in accordance with sound business principles and prudent commercial practices.

3. NON-COMPLIANCE WITH INSURANCE ACT

The Corporation has not complied with Section 50(2) of Insurance Act in General business class since investments in government securities and prescribed organizations are less than the required minimum of 10% of admitted assets. As at the year end, investments in Government securities and prescribed organizations amounted to 9.7%. Further, the Corporation has not complied with Section 32 of the Insurance Act since

Government Securities under lien are less than the minimum requirement of 5% of the admitted assets. Securities under lien as at the year end amounted to 3.7% of total admitted assets (for both Life business and General business – combined).

The Committee heard the evidence by the Chief Executive that the Corporation has not complied with Section 50(2) of Insurance Act in General business class since investments in government securities and prescribed organisations are less than the required minimum of 10% of admitted assets;

The Committee also heard that the Corporation has not complied with Section 32 of the Insurance Act since Government securities under lien are less than the minimum requirement of 5% of the admitted assets.

The Committee noted with grave concern that over 85% of the total assets of the Corporation are held in land, buildings and housing estates posing the question whether the Corporation is in real estate development or provision of re-insurance.

The Committee was informed that the management has taken precaution of increasing both the total investment in Government securities and the lien by way of disposing of most of its fixed assets and instituting corrective financial procedures.

The Committee recommends that the Chief Executive:-

(i) ensures that the Corporation complies with all the requirements of the Insurance Act; and

(ii) ensures that Corporation concentrates on its core business of re-insurance.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA DAIRY BOARD FOR THE YEAR ENDED 30 JUNE 1999.

1. FINANCIAL POSITION

During the year 1998/99, the Board incurred a loss of Kshs.2,868,145 compared to a profit of Kshs.1,244,569 realized in the previous year. In addition, the Balance Sheet as at 30 June, 1999 reflects negative working capital of Kshs.7,175,567 as well as a bank overdraft of Kshs.692,633 as of the same date. The Accounts also reflect creditors balance of Kshs.12,114,240, which include statutory deductions totaling Kshs.1,905,447, which the Board had not remitted to the relevant authorities as at 30 June 1999. Evidently, therefore, the Board is technically insolvent and its continued operations as a going concern will depend on continued support by Government and its creditors.

The Committee heard the evidence given by the Chief Executive that during the year ending 30th June 1999, Board incurred a loss of Kshs.2,868,145 and the Balance Sheet reflected a negative working capital of Kshs.7,175,567. Further the Board had an overdraft of Kshs.692,633 and un-remitted statutory deductions of Kshs. 1,905,477.

The Committee was informed that inadequate budgetary provisions of grants by the parent Ministry, non-remission of cess by Kenya Co-operative Creameries and delay in review of cess and other levies contributed to the negative working capital.

The Committee noted that the Board's financial position has improved following review of cess upwards from 0.2 cts per litre to 20 cts per litre and that Kenya Co-operative Creameries and all other milk processors are paying cess as required by the Dairy Industry Act.

The Committee recommends that the Chief Executive ensures that the Board employs controls on its expenditure and collects cess fees as per the Dairy Industry Act .

2. STAFF PENSION FUND

The Creditors balance of Kshs.12,114,240 reflected in the Accounts for the year 1998/99 includes Staff Pension Funds totaling Kshs.2,937,115 which the Board was holding on account of staff pension contributions. It was not clear, however, why such funds were not invested to earn interest for the pensioners. In addition, the Board has, for a number of years, been running a Staff Pension Fund Scheme, which was previously being managed by Kenya National Assurance Company (in liquidation) and which, as at 30 June, 1999 stood at Kshs.1,990,379. After the Kenya National Assurance Company was placed under receivership, the Board transferred the

management of the Pension Fund to another insurance company, which now manages the Scheme. The liquidators of Kenya National Assurance Company have not, however, as far as it has been possible to ascertain, transferred the balance of Kshs.1,990,379 held by them to the new managers of the Scheme.

The Committee heard the evidence given by the Chief Executive that the Board operated a pension scheme with the defunct Kenya National Assurance Company and that the Company has already paid Kshs.4,135,270.40 leaving a balance of Kshs.963,360.00.

The Committee further heard that the Board's pension fund is currently administered by American Life Assurance Company and that staff pension contributions amounting to Kshs.3,023,416 have been invested with American Life Assurance Company

The Committee recommends that the Board should ensure that the balance of Kshs.963,360.00 is recovered from KNA 2001 Ltd.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA DAIRY BOARD FOR THE YEAR ENDED 30 JUNE 2000.

1. FINANCIAL POSITION

During the year 1999/2000, the Board incurred a deficit of Kshs.1,729,396 as at 30 June 2000, which reduced its Accumulated Fund to a mere balance of Kshs.602,388 as at the same date. The Accounts for 1999/2000 reflect a negative working capital of Kshs.8,571,027 as at 30 June 2000 while the Board was also unable to settle its liabilities, particularly statutory deductions totaling Kshs.5,367,270 as and when the same fell due. Evidently, therefore, the Board was facing serious financial problems and its continued operation is dependent on the support of Government and its creditors.

The Committee heard the evidence given by the Chief Executive that during the year ending 30th June 2000, Board incurred a deficit of Kshs 1,729,396 which reduced its accumulated fund to Kshs 602,388. Further, the Board had unremitted statutory deductions of Kshs. 5,367,270.

The Committee was informed that inadequate budgetary provisions of grants by the parent Ministry, non-remission of cess by Kenya Co-operative Creameries and delay in review of cess and other levies caused the negative working capital.

The Committee noted that the Board's financial position has improved following review of cess upwards from 0.2 cts per litre to 20 cts per litre and that Kenya Co-operative Creameries and all other milk processors are paying cess as required by the Dairy Industry Act.

The Committee recommends that the Chief Executive ensures that the Board employs controls on its expenditure and collects cess fees as per the Dairy Industry Act .

2. LAND

The Board does not hold either a Letter of Allotment or even a Certificate of Lease in respect of a land property located in Narok town. Furthermore, the value of the said property has not been included in the Accounts of the Board for the year 1999/2000 and as a result, the Board's ownership of this property could not be established. Under the circumstances, therefore, it has not been possible to confirm the correctness of the Land and Buildings balance of Kshs.31,278,665 reflected on the Balance Sheet as at 30 June 2000.

The Committee heard the evidence given by the Chief Executive that Narok County Council allocated a piece of land to the Board so as to promote the dairy

industry in the region. The Board could not reflect the said parcel of land in its books of accounts, as it did not have the ownership documents.

Further the Committee heard that the Board has paid all outstanding fees and is pursuing issuance of title deed with the Ministry of Lands.

The Committee recommends that the Chief Executive moves with speed to secure title deed for its land in Narok.

3. DEBTORS AND PREPAYMENTS

The Balance Sheet Debtors and Prepayments figure of Kshs.3,700,414 as at 30 June 2000 includes staff debtors totaling Kshs.3,126,180 in form of imprests, advances and other unspecified balances amounting to Kshs.769,028 which have been outstanding for over three years. Although most of the related members of staff have since left the services of the Board, no indication has been provided by the Board as to how these debts are to be recovered from the ex-staff.

The Committee heard the evidence given by the Chief Executive that the Board has since taken disciplinary action against those employees who were still in service while it has used their terminal dues to offset some of the imprests for those whose services were terminated.

The Committee recommends that the Board should employ all cost effective means possible to recover the amount of Kshs. 769,028 owed by former employees of the Board.

4. UNSUPPORTED CLAIMS

During the year under review, the Board paid Kshs.575,075 being claims made by its various officers but without supporting documents. Consequently, the propriety of the expenditure cannot be confirmed.

The Committee heard the evidence given by the Chief Executive that, during the year under review, the Board failed to provide supporting document in respect of expenditure of Kshs.575,057 being claims made by its various officers. The Committee further heard that the supporting documents have since been availed to the Controller and Auditor General and verified, thereby resolving the audit query.

The Committee recommends that the Chief Executive ensures supporting document relating to its financial statements and/or expenses are availed to Controller and Auditor General as and when required.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA DAIRY BOARD FOR THE YEAR ENDED 30 JUNE 2001.

1. LAND

The Board does not hold title documents in respect of land properties at Narok town and Kabete. Although the plot at Kabete measuring 1.6 hectares has been valued at Kshs.17,800,000 and included in the Accounts of the Board, the plot at Narok town has not been valued and is therefore excluded from the Board's Accounts for the year 2000/2001. In the absence of title documents for the two land parcels, their ownership by the Board could not be established. Further, in view of the exclusion of the Narok town plot from the Accounts, it was also not possible to confirm the correctness of the value of land and buildings balance of Kshs.24,595,444 as at 30 June 2001.

The Committee heard the evidence given by the Chief Executive that Narok Council allocated a piece of land to the Board, so as to promote the dairy industry in the region, and it could not reflect it in its books of accounts as it did not have the ownership documents. The Board has paid all outstanding fees and is pursuing issuance of title deed with the Ministry of Lands.

Further the Committee heard that the Kabete land valued at Kshs. 17,800,000, was included in the Boards' accounts. However the title deed could not be issued since the Board had an outstanding rent amount of Kshs. 2,300,181. After non-response to a request for waiver from the Ministry of Finance through the Parent Ministry, the Board has incorporated the expenditure in its 2006/2007 financial year estimates so as to facilitate issuance of title deeds.

The Committee recommends that the Chief Executive moves with speed and ensures that the Board secures title deeds for all its parcels of land including those in Kabete and Narok by December 31st, 2007.

2. DEBTORS AND PREPAYMENTS

The Debtors and Prepayments figure of Kshs.5,313,180 as at 30 June 2001 includes staff debtors totaling Kshs.4,317,933 in the form of imprests, advances, loans and other staff debtors, most of which have remained outstanding for over four (4) years. Although a number of staff have already left the services of the Board, no indication has been given as to how these debts and others due from former Board of Directors amounting to Kshs.1,194,648 are to be recovered from the ex-staff and former Board of Directors. Further the balance includes unsupported amount of Kshs.549,064. In the circumstances, it is not possible to confirm the correctness and recoverability of the debtors and prepayments balance of Kshs.5,313,180 as at 30 June 2001.

The Committee heard the evidence given by the Chief Executive that the Board has since taken disciplinary action against those employees who were still in service while it has used the terminal dues to offset some of the imprests for the whose services were terminated.

The Committee also heard that recoveries were made against officers who were in the service of the Board while the amount of Kshs. 88,150 owed by the former chairman of the Board Eng. Andrew Kiptoon is still outstanding.

The Committee recommends that the Board employs all means possible to recover the amount of Kshs. 1,194648 owed by former employees and former Board Members.

The Committee further reiterates its recommendation in its 13th Report that the Chief Executive institute recovery measures to recover the amount of Kshs.88,150 owed by Eng. Andrew Kiptoon, a former Chairman of the Board, without further delay.

3. BOARD OF DIRECTORS ALLOWANCES

The Board of Directors approved revised allowances payable to Board members three times, the last such approval being on 08 February 2001, without seeking the authority of Government. Further, the Board paid allowances totaling Kshs.1,329,764.90 to Board members contrary to Section 10 of the State Corporations Act (Cap.446). In addition the Chairman of the Board was paid Kshs.612,802.60 for making regular visits to the Board offices supposedly to advise on managerial issues. There was, however, no evidence seen showing what the Chairman did or that his presence at the Board offices was required. Consequently, therefore, the propriety of Kshs.1,329,764.90 paid to board members and Kshs.612,802.60 paid to the Chairman could not be confirmed.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Board irregularly paid allowances to its Board Members totalling Kshs.1,329,764.90 without approval of the State Corporations Advisory Committee. Further, the Board paid its Chairman, Mr. Rueben Chesire, a total of Kshs.612,802.60 for making regular visits to the Board offices to advise on managerial issues since the then Board's Chief Executive was on suspension.

The Committee was informed that the Board has since obtained post facto approval of the State Corporations Advisory Committee to regularize the expenditure of Kshs.1,329,764.90 paid as allowances to its board members.

Noting that the Board Chair was not an executive one, the Committee noted that the reason given by the management of the Board that *the chairman was paid the allowances when he made regular travels to advise the Board on managerial issues* could not justify payment of the said allowances.

The Committee therefore recommends that the Chief Executive immediately institutes recovery of the amount of Kshs. 612,802.60 from the Board Chairman, Mr. Reuben Chesire.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA SUGAR BOARD FOR THE YEAR ENDED 30 JUNE 2002

1.0 SHORT TERM LOANS

The Balance Sheet shows short-term loans (SDF) increased by Kshs.16,924,138.90 from Kshs.131,694,046.00 as at 30 June 2001 to stand at Kshs.148,618,184.90 as at 30 June, 2003. There was no loan agreements spelling out the terms of the loans and as a result, the loans were not being repaid. Besides, no evidence was made available for audit review of the Board's approval for the total borrowing of Kshs.148,618,184.90.

The Committee heard evidence given by the Chief Executive that Kenya Sugar Board (KSB) had borrowed loans from the Sugar Development Fund (SDF) without the approval of the Board and without any formal loan agreement spelling out the terms of the loan. The loan had accumulated to Kshs.148,618,184.90 as at June 30, 2003.

The Committee was informed that this amount had accumulated over the years mainly due to under funding of Kenya Sugar Board, which has since been addressed by raising the share of levy to the Board from 0.5% to 1.5%.

The Committee was informed that:-

(i) the Board has provided the payment of the SDF loan in its budget for the year 2007/2008 subject to resolving ownership status of the Sukari Plaza between the parent Ministry, the Treasury and KSB. The title deed of the property has since been lost and efforts to obtain a certified copy from the Ministry of Lands were opposed by the parent Ministry for unexplained reasons; and

(ii) the KSB Board approved the Board's Estimates for the year

The Committee observed with concern that it has taken inordinately long for determination of the ownership status of the Sukari Plaza while KSB has continued to peg repayment of the SDF loan on the ownership of the property.

The Committee also noted that there is need to restructure the administration of the SDF to make it independent from KSB.

The Committee expressed concern on the fact the then Chief Executive unilaterally took the loan from SDF without the approval of the Board and without any formal agreement.

The Committee recommends that: -

(i) the Chief Executive ensures that KSB repays the SDF loan; and

(ii) the Permanent Secretary, Ministry of Agriculture expedites determination of the ownership status of Sukari Plaza. This should be done not later than December 31st, 2007.

2.0 CREDITORS AND ACCRUALS

The Creditors and Accruals figure of Kshs.15,657,556.20 as at 30 June 2002 included an amount of Kshs.2,077,878.00 being tax provision on retrenched members of staff. The Board, as tax collection agent, did not remit PAYE tax to the Kenya Revenue Authority after paying the retrenchees and was therefore in breach of the law. A Tax Audit conducted by the K.R.A. resulted into penalty and interest of Kshs.1,188,309.00, which could have been avoided.

The Committee heard evidence given by the Chief Executive that the Board made a provision of Kshs. 2,077,878 in its financial statements for the year under review being tax provision on retrenched members of staff.

The Committee further heard that the provision was necessitated by the fact that the Board was awaiting the Treasury's communication on its request for tax waiver on terminal dues for the retrenched staff. However, the request was rejected and the Board paid an amount of Kshs.1,188,309 being penalty and interest on the tax.

Whilst taking cognizance of the formal request made by the Board to KRA to waive the tax on the retrenchees, the Committee noted that it was irregular for KSB to withhold P.A.Y.E tax since its request to KRA was not based on any sound grounds. This irregularity caused the avoidable charge of Kshs. 1,188,309.

The Committee recommends that the Chief Executive ensures that the Board honours all its tax obligations to KRA without delay.

3.0 EXPENDITURE BY EFFICIENCY MONITORING UNIT

During the year under review the Board paid a total of Kshs.2,332,793.00 to the staff of Efficiency Monitoring Unit (E.M.U.), Office of the President who carried out an inspection on the defunct Kenya Sugar Authority without approval of the Board as follows:-

	Kshs.
Subsistence and accommodation allowance	1,008,400.00
Lunch Allowance	1,208,600.00
2 mobile phones for team leader	75,793.00
7 leather briefcases	40,000.00
Total	**2,332,793.00**

No explanation has been provided as to why the payments were made even after the Board had declined to approve them. In the absence of the Board's approval and that of the State Corporations Advisory Committee as required by Section 10(1) of the State Corporations Act, Cap. 446, the propriety of the total expenditure of Kshs.2,332,793.00 is in doubt.

The Committee heard evidence given by the Chief Executive that the during the year under review, the Board irregularly paid a total of Kshs.2,378,723 to the staff of Efficiency Monitoring Unit (EMU), Office of the President, who carried out a financial management audit on the defunct Kenya Sugar Authority. The expenditure was made on account of lunches, air tickets, travelling and other expenses.

The Committee was informed that even though KSB declined to approve the expenditure, the officers were paid on strength of written requests and recommendations from the Office of the President and the parent Ministry.

The Committee was informed that the Board's efforts to recover the money from the individual officers have been hampered by interference by the Office of the President (Office of the Secretary to the Cabinet and the Head of Public Service) and the parent Ministry who have insisted that the Board closes the matter.

While noting that the officers were contracted by the parent Ministry, the Committee noted that:-

(i) **the written requests and recommendations from the Office of the President and the parent Ministry for KSB to meet the E.M.U's expense could not counter the Board's decision; and**

(ii) **if the Office of the President and/or the parent Ministry is of the opinion that the officers were on official duty, then the Ministry or EMU should have met such expenses.**

The Committee expressed displeasure on the apparent pressure being made on the Board to meet the expense as exemplified by letter RE: OP9/41A/VI of

January 28, 2003 from the Office of the President (Office of the Secretary to the Cabinet and the Head of Public Service).

Accordingly, the Committee recommends that the Chief Executive uses all means possible including and not limited to litigation to immediately recover the amount of Ksh 723 irregularly paid to the following officers of EMU.

[illegible]. Emonde	-	Kshs. 46,000
Mr. J. Khisa	-	Kshs. 59,000
Mr. J. Kaindulu	-	Kshs. 174,800
Ms. M. Atieno	-	Kshs. 170,600
Ms. M. Omukubi	-	Kshs. 170,600
Mr. S. Wainaina	-	Kshs. 82,000
Mr. E. Omae	-	Kshs. 220,600
Mr. Z. Ngacha	-	Kshs. 295,000
Mr. M. Kiambati	-	Kshs. 282,600
Mr. D. Katiku	-	Kshs. 338,200
Mr. E. Rweria	-	Kshs. 524,923
Mr. C. Michir	-	Kshs. 14,400

4.0 BOARD CHAIRMAN'S OUT OF PACKET REIMBURSEMENT

The information available shows that the Board of Directors increased the Chairman's monthly out-of-pocket reimbursement from Kshs.45,654.00 to Kshs.100,000.00 and the payment of the increased allowance was effected immediately without seeking approval of the Office of the President as stipulated by State Corporation Act (Cap. 446) Section 10 (1) which also requires approval of such increment by the State Corporation Advisory Committee. By the closure of the financial year, the Chairman had paid Kshs.597,806.00 without such approval.

The Committee heard evidence given by the Chief Executive that during the year under review, KSB irregularly paid its Board Chairman, Mr. Mark Too, an amount of Kshs.597,806 as monthly out of pocket reimbursement at an increased monthly rate of Kshs. 100,000.

The Committee further heard that the increase in monthly out of pocket allowance was approved by the Board of Directors and effected immediately without approval by the State Corporations Advisory Committee.

The Committee recommends that the Inspector General (Corporations) immediately institutes recovery of the irregular payment of Kshs.597,806 from Mr. Mark Too.

5.0 FUNDS HELD BY FORMER BOARD OFFICIALS AND STAFF

Available records indicate that the Board is owed Kshs.10,708,311.80 by former Board Members and Staff either in form of loans or unsurrendered imprests. Two former members of the Board owe the Board Kshs.1,457,445.[illegible] respectively while two former staff members owe the Board Ks[illegible]Kshs.5,920,898.00 Kshs.2,159,662.00 respectively. Although one former staff has been taken [illegible]00 and letters written to the others to pay up, it has not been explained how so much [illegible] ended up with the officials and why vigorous recovery process has so far not been instituted.

The Committee heard evidence given by the Chief Executive that the Board is owed a total of Kshs. 10,138,560 by its former Board Officials and Staff as follows:-

Mr. Austine. Amulyoto	-	Kshs. 1,260,000
Mr. Mark Too	-	Kshs. 5,920,898
Mr. Peter Kegode	-	Kshs. 1,139,055
Mr. F. Chahonyo	-	Kshs. 625,000
Mr. J. Ogombo	-	Kshs. 1,193,607

The Committee further heard that: -

(i) part of the debt owed was un-surrendered imprest;

(ii) the Board forwarded the matter to Inspector General (State Corporations) for surcharge who advised that pursuit of civil debts is outside his mandate;

(iii) the Board therefore instituted civil cases against the debtors for recovery;

(iv) one of the debtors, Mr. Kegode offered to settle the matter out of court. He acknowledged the debt, presented receipts in support of some of the debt and submitted a cheque in part payment. He thereafter declined to pay the balance; and

(v) Mr. Austine Amulyoto has since left the country.

The Committee recommends that: -

(i) the Chief Executive follows the court cases and ensures that the debts are recovered in full; and

(ii) the Board puts in measures to ensure that issuance of imprest facility is not abused and that members of the Board and/or staff are not issued with any imprest while they have outstanding ones.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF SUGAR DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE 2002

1. SHORT TERM INVESTMENTS

The short term investment's figure of Kshs.84,690,513.27 as at 30 June 2002 includes an amount of Kshs.51,865,456.91 invested in Euro Bank Ltd. contrary to Treasury Circulars which require that authority be obtained from Treasury for such investments. The bank was subsequently placed under statutory management by the Central Bank of Kenya in 2003. Apart from the fact that the Fund was in breach of the financial regulations, the chances of recovery of the investment could not be determined.

The Committee heard evidence given by the Chief Executive that without approval of the Board, the then successive Chief Executives and Chairmen of KSB deposited surplus funds totalling Kshs.51,865,456.91 in Euro Bank (under liquidation) contrary to Treasury circulars .

The Committee further heard that: -

(i) **the Fund's efforts to pursue recovery have been hampered by a court case filed by the directors of the collapsed Euro Bank; and**

(ii) **the Fund has since made adequate provision for the deposit in its accounts for the year 2003/2004 as a bad and doubtful debt.**

The Committee recommends that: -

(i) **the Chief Executive pursues recovery of the deposit; and**

(ii) **the Chief Executive ensures that Fund's surplus monies are invested in accordance with Treasury circulars.**

2. LOAN TO COMPANIES

The Balance Sheet as at 30 June 2002 reflects loans to companies amounting to Kshs.4,478,309,923.70 and accrued interest totaling Kshs.1,847,721,207.72 while note 7 of the Directors Report shows overdue loans of Kshs.6,545,562,513.50 made of principal sum of Kshs.4.366,022,114.30 and interest outstanding of Kshs.2,179,540,399.20. However, these two sets of records have not been reconciled to explain the differences.

The Committee heard evidence given by the Chief Executive that the Balance Sheet and Director's Report in the Financial Statements of the Fund for the year

ended June 30, 2002 showed contradicting entries on overdue loans and interests.

The Committee was informed that the two records have since been reconciled and verified by the Controller and Auditor General thereby resolving the audit query.

3. LOAN TO KENYA SUGAR BOARD KSHS.150,684,175.44

The financial statements of Sugar Development Fund reflects debtors and prepayments of Kshs.1,092,637,773.36 which includes a loan to the Kenya Sugar Board in the amount of Kshs.150,684,175.44. However, there was no agreement between the Kenya Sugar Board and the Fund indicating the terms of the loan. Further, approval by the Board of Directors of the loan of Kshs.150,684,175.44 was not produced for audit review.

The Committee heard evidence given by the Chief Executive that Kenya Sugar Board (KSB) had borrowed loans from the Sugar Development Fund (SDF) without the approval of the Board and without any formal loan agreement spelling out the terms of the loan. The loan had accumulated to Kshs. 148,618,184.90 as at June 30, 2002.

The Committee was informed that this amount had accumulated over the years mainly due to under funding of Kenya Sugar Board, which has since been addressed by raising the share of levy to the Board from 0.5 to 1.5%

The Committee was informed that the Board has provided the payment of the SDF loan in its budget for the year 2007/2008 subject to resolving the ownership status of the Sukari Plaza between the parent Ministry, the Treasury and KSB.

The Committee observed with concern that it has taken inordinately long for a resolution to be reached on the ownership status of the Sukari Plaza while KSB has continued to peg repayment of the SDF loan on the ownership stalemate.

The Committee was informed that the Board has provided the payment of the SDF loan in its budget for the year 2007/2008 subject to resolving ownership status of the Sukari Plaza between the parent Ministry, the Treasury and KSB. The title deed of the property has been lost and efforts to obtain a certified copy from the Ministry of Lands were opposed by the parent Ministry for unexplained reasons.

The Committee observed with concern that it has taken inordinately long for a resolution to be reached on the ownership status of the Sukari Plaza while KSB has continued to peg repayment of the SDF loan on the ownership of the property.

The Committee also noted that there is need to restructure the administration of the SDF to make it independent from KSB.

The Committee expressed concern on the fact the then Chief Executive unliterary took the loan from SDF without the approval of the Board and without any formal agreement.

The Committee recommends that: -

(i) the Chief Executive ensures that KSB repays the SDF loan; and

(ii) the Permanent Secretary, Ministry of Agriculture expedites determination of the ownership status of Sukari Plaza. This should be done not later than December 31st, 2007.

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA WILDLIFE SERVICE FOR THE YEAR ENDED 30 JUNE 2001.

1. FIXED ASSETS

The Balance Sheet fixed assets figure of Kshs.7,565,190,000 as at 30th June 2001 excludes land held by the Kenya Wildlife Service comprising of 27 Parks, measuring 29,368 sq. kms, and 11 National Reserves, measuring 4818 sq. km but includes the value of 110 parcels of land outside the protected areas valued at Kshs.325,018,000. During the year 2000/2001 and as was the case in the previous year, KWS did not hold documents of ownership for most of its land including title deeds for National Parks and National Reserves measuring 20,720 sq. km and also some ninety four (94) parcels of land outside the protected areas. Without title deeds, it is not possible to confirm the ownership and security of the land, particularly the properties located outside the protected areas or even to confirm the correctness of the value of Kshs.325,018,000 reflected in these Accounts against such land.

The Committee heard evidence given by the Chief Executive that the Service did not maintain a fixed assets register and that it also did not have title deeds for most of its parcels of land, some of which had been irregularly hived off and allocated to private individuals and firms.

The Committee noted that it had exhaustively deliberated on the matter of KWS land in its 13th Report.

Accordingly, the Committee reiterates its recommendation in its 13th Report page 52 that:-

(i) **the Commissioner of Lands should cancel all title deeds/revoke title documents irregularly allocated to the following persons, with immediate effect, with a view to having the same parcels revert to the Service:**

	LAND DESCRIPTION	NAME OF ALLOTTEE (S)
1.	- Kisite Marine National Park Legal notice no. 216 of 25/10/1973, 0.8 HA excised as per land title No. Kwale/Shimoni/496 prepared in 1994	Original allottees: (i) Sophia Rahim (ii) Sophie Nzuguka Kilei Transferred to: M/s. Panco Ltd, P.O Box 838 Mombasa associated to a Mr. Toilana.

2.	Mpunguti Marine National Reserve Legal Notice No. 91 of 10/5/1978 excised as per land title No. Kwale/Shimoni/493 Title No Kwale/Shimoni/493 Title No Kwale/Shimoni/494 Title No Kwale/Shimoni/495	Original Allotees: (a) Kwale/Shimoni/493 (i) Mwanasiti Muhamed Chamamba (ii) Chrisitine M. Mwakudu (iii) Sally Florence (iv) Kwale/Shimoni/494 (v) Boy Juma Boy (vi) Shee Hamisi Mwamwindi (vii) Bakari Ali Kasiri (c) Kwale/Shimoni/495 (i) Mwamzandi K.B (ii) Mohamed Mshee Mwinyamiri (iii) Nasoro Juma Transferred to: M/s. Pwani Holdings Resort Ltd P.O Box 838 Mombasa Directors: (i) Peter Kamau Kimondo (ii) Fredrick Odongo Omondi M/s. Bantus Investments Limited P.O Box 838 Mombasa Directors: (i) Peter Kamau Kimondo (ii) Fredrick Odongo Omondi M/s. Serious Holdings Ltd P.O Box 838 Mombasa
3.	Staff Quarters Malindi N. Park Plot No. 514/41	M/S. Match Designer Ltd P.O Box 1060 Nairobi
4.	Kiunga National Reserve Legal Notice No 291 of	Part of the Reserve given to Mr. Kassim Shahare Ali

	4/10/1979:Kiwayu – LR Nos. 13557, 17938 and 13546	
5.	Mombasa Marine National Park Headquarters	
6.	Watamu Marine National Reserve Legal Notice No. 99 of 26/03/1968	Part of it vide letter of allotment Ref 35336/XII/22 of 5/08/199 allocated to M/s. Villas Watamu Ltd
7.	Mkokoni Outpost (Lamu District)	- The 6.0 HA allocated to Mohamed Aboud Badi P.O Box 41 Hola - the 3.0 HA allocated to KWS through letter Ref: 202021/11of 11/08/1998 and the remainder allocated to Mr. Bwana Tora P.O Box 41 Hola
8.	Naivasha Wildlife and Training Institute Farm Sanctuary Legal Notice No. 84 of 6/06/2000 portion of 30.62 HA excised and title issued	Naivasha Kanu Youth
9.	Ivory Room-Mombasa Plot No. MSA/ISLAND/XXV/38	M/s. Josgid Ltd, P.O Box 51990 Nairobi
10.	Malindi-District Warden's Office/Staff Houses	Parts of it allocated to: (i) Mwalimu K. Ngandu P.O Box 371 Malindi (ii) Benjamin Rondo P.O Box 371, Malindi (iii) Godfrey Mjomba P.O Box 371 Malindi (iv) Z.A Mabea P.O Box 30089, Nairobi (v) Amiani S.N P.O Box 371, Malindi (vi) Bahati Temo P.O Box 371 Malindi (vii) John Thoya P.O Box 371 Malindi (viii) Francis B. Diwani P.O Box 5184, Malindi

		(ix) Josephine Wanjiku Kariuki P.O Box 371 Malindi (x) Martin Saro P.O Box 371 Malindi (xi) Francis Maritim P.O Box 30089, Nairobi (xii) Esther W. Maina P.O Box 30089, Nairobi (xiii) M/s. Salem Investments P.O Box 30089, Nairobi
11.	Embu District Warden's House L.R. No. Embu / Mun/Parcel 1360	Mr. Eustace Njeru.
12.	Garissa Station - Excised, as plots with one plots title issued on parcel no. 154 title No. Garissa Township/Block 11/154 on 29/5/1998	Mohammed Abdi Ogle P.O Box 327 Garissa
13.	Nanyuki station (i) Letter of Allotment Ref: 25859/XXXIII of 28/11/95 (ii) Letter of Allotment Ref: 258559/XXXVIII of 28/11/95 (iii) Letter of Allotment Ref: 35869/XXXIII of 28/11/95 (iv) Letter of Allotment Ref: 25859/XXXIII of 28/11/95	C.M. Muigo c/o P.O Box 1356, Nairobi (i) D. Gitau P.O Box 420 Nanyuki (ii) D.N Gethi P.O Box 420 Nairobi (iii) James Gichuhi Wachira P.O Box 331 Nanyuki
14.	Kericho Station staff quarters area of 1.15HA remain under KWS vide letter of allotment Ref: 192234 on 15/07/1997	Mr. Ajiwa Shamji

15.	Watamu Marine N. Park plot No. 810 Legal Notice 98 of 26/03/1968	Pierre Le'Porte Limited Directors: (i) Roberto Lenzi (ii) Remo Lenzi
16.	Naivasha Fisheries Annex letter of allotment issued to KWS for part of the whole area initially occupied	Portion allocated to a private developer part of which is a RAMSAR site and a riparian land
17.	Ras Tanewiki National Park.	- Area of 0.5083 HA excised and allocated to Private Developer
18.	- Kakamega Office Site and senior staff houses. - Kakamega Mun/B1/255	- Part allocated to the following private developers:- (iii) Hilary Konyi and M. Nyamumbo P.O. Box 16, Kakamega. (iv) Praxedes Nasimiyu Wasike of Box 1885, Kakamega. (v) Kennedy Kubasu, P. O. Box 5598, Eldoret. (vi) Henry Murwa, P. O. Box 66985 Nairobi. (vii) Stephen Odinga P.O. Box 852, Bungoma. (viii) Praxedes A. N. Wasike of P. O. Box 1885, Kakamega.
19.	Kitengela Wildlife Corridor	M/s. Maasailand Impex Company Directors: (i) Philip Lampat Ole Singaru (ii) David Ole Sankori (iii) Daniel Kasirimo Ole Muyaa (iv) Geoge Mepukori Ole Pertet
20.	L.R No. 10815 within Malindi National Reserve 0.017 ha.	M/s. Franci Ltd.

(ii) the Director of the Service should survey all the pieces of land belonging to the Service with a view to facilitating issuance of title deeds for the same; and

(iii) the Chief Executive ensures that all structures that have been developed on the buffer zone (*30 metres stretch after the high tide zone)* along the Indian Ocean coastline be demolished with immediate effect;

(iv) that the following persons who abetted illegal allocation of a part of Kisite Marine National Park and Mpunguti Marine National Reserve be investigated and charged with the appropriate offence by the Attorney General and be barred from holding public office conferred by the Republic of Kenya:-

- Mr. Francis Baya, the then Permanent Secretary, Ministry of Lands;
- Mr. S. K. Mwaita, the then Commissioner of Lands; and
- Mr. Suleiman M. B. Kamoleh, the then Matuga M.P.

The Committee also recommends that the Chief Executive ensure that the Service maintains an updated Fixed Assets Register.

2. LONG TERM LIABILITIES

The Service's Balance Sheet as at 30 June 2001 reflects an amount of Kshs.22,554,000 in respect of a Long Term Liability against the Government of Kenya, being unsurrendered revenue to the Service's former Ministry of Tourism and Wildlife. Although the revenue should have been surrendered to the Ministry upon commencement of KWS operations, in 1989, this was not done. Instead, the amount continues to be retained and reflected in the records of KWS as a long term debt but without any indication as to the terms of its settlement. Consequently, it has not been possible to determine when the debt of Kshs.22,544,000 will be settled with the Government.

The Committee heard evidence given by the Chief Executive that Service's Balance Sheet as at 30 June 2001 reflected an amount of Kshs.22,544,000.00 in respect of a Long Term Liability against the Government of Kenya. This was unsurrendered revenue to the Ministry of Tourism and Wildlife which should have been surrendered to the Ministry upon commencement of KWS operations in 1989.

The Committee also heard that the liability arose from the revenues collected by KWS from National Parks during the period December 1989 to June 1990. This is the period when KWS took over the operations of the defunct Wildlife and Community Management Department.

In view of the fact that KWS is yet to be in a stable financial position, the Committee recommends that the government converts the liability of Kshs.22,544,000 into a grant to the Service.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE KENYA WILDLIFE SERVICE FOR THE YEAR ENDED 30 JUNE 2002.

Without qualifying my opinion, I draw attention to note 19 of the financial statements. During the year, the Kenya Revenue Authority raised withholding tax and PAYE assessments on the organization amounting to Kshs.184 million. The organization has paid the principal amount of tax not in dispute of Kshs.4,374,028 and has sent a letter of objection on the principal amount. In addition, management has applied for waiver of the amount relating to tax penalties and interest. The matter is currently under discussion with the Kenya Revenue Authority and the ultimate outcome of the matter cannot be presently determined and no provision for any liability that may result has been made in the financial statements.

The Committee heard evidence given by the Chief Executive that during the year under review, the Kenya Revenue Authority raised withholding tax and PAYE assessments on the Corporation amounting to Kshs. 184 million.

The Committee also heard that the Ministry of Finance granted 90% waiver of penalties and interest and that KWS settled the 10% balance of Kshs. 13,711,976 thereby resolving the audit query.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE KENYA WILDLIFE SERVICE FOR THE YEAR ENDED 30 JUNE 2003.

1. FIXED ASSETS

The balance of Kshs.6,998,421,000 as at 30 June 2003 in respect of property, plant and equipment could not be verified because Kenya Wildlife Service did not keep and maintain a fixed assets register. Consequently, it was not possible to confirm that property, plant and equipment were fairly stated in these financial statements.

The Committee heard evidence given by the Chief Executive that the Service did not maintain a fixed assets register and that it also did not have title deeds for most of its parcels of land.

The Committee noted that it had exhaustively deliberated on the matter of KWS land in its 13th Report.

Accordingly, the Committee reiterates its recommendation in its 13th Report page 52 that:-

(i) **the Commissioner of Lands should cancel all title deeds/revoke title documents irregularly allocated to the following persons, with immediate effect, with a view to having the same parcels revert to the Service:**

	LAND DESCRIPTION	NAME OF ALLOTTEE(S)
(i)	- Kisite Marine National Park Legal notice no. 216 of 25/10/1973, 0.8 HA excised as per land title No. Kwale/Shimoni/496 prepared in 1994	Original allottees: i. Sophia Rahim ii. Sophie Nzuguka Kilei Transferred to: M/s. Panco Ltd, P.O Box 838 Mombasa associated to a Mr. Toilana.
(ii)	Mpunguti Marine National Reserve Legal Notice No. 91 of 10/5/1978 excised as per land title No. Kwale/Shimoni/493	Original Allotees: (a) Kwale/Shimoni/493 (viii) Mwanasiti Muhamed Chamamba (ix) Chrisitine M. Mwakudu (x) Sally Florence (xi) Kwale/Shimoni/494

		(xii) Boy Juma Boy (xiii) Shee Hamisi Mwamwindi (xiv) Bakari Ali Kasiri (c) Kwale/Shimoni/495 (iv) Mwamzandi K.B (v) Mohamed Mshee Mwinyamiri (vi) Nasoro Juma
	Title No Kwale/Shimoni/493	Transferred to: M/s. Pwani Holdings Resort Ltd P.O Box 838 Mombasa Directors: (iii) Peter Kamau Kimondo (iv) Fredrick Odongo Omondi
	Title No Kwale/Shimoni/494	M/s. Bantus Investments Limited P.O Box 838 Mombasa Directors: (iii) Peter Kamau Kimondo (iv) Fredrick Odongo Omondi
	Title No Kwale/Shimoni/495	M/s. Serious Holdings Ltd P.O Box 838 Mombasa
(iii)	Staff Quarters Malindi N. Park Plot No. 514/41	M/S. Match Designer Ltd P.O Box 1060 Nairobi
(iv)	Kiunga National Reserve Legal Notice No 291 of 4/10/1979:Kiwayu – LR Nos. 13557, 17938 and 13546	Part of the Reserve given to Mr. Kassim Shahare Ali
(v)	Mombasa Marine National Park Headquarters	
(vi)	Watamu Marine National Reserve Legal Notice No. 99 of 26/03/1968	Part of it vide letter of allotment Ref 35336/XII/22 of 5/08/199 allocated to M/s. Villas Watamu Ltd

(vii)	Mkokoni Outpost (Lamu District)	- The 6.0 HA allocated to Mohamed Aboud Badi P.O Box 41 Hola - the 3.0 HA allocated to KWS through letter Ref: 202021/11of 11/08/1998 and the remainder allocated to Mr. Bwana Tora P.O Box 41 Hola
(viii)	Naivasha Wildlife and Training Institute Farm Sanctuary Legal Notice No. 84 of 6/06/2000 portion of 30.62 HA excised and title issued	Naivasha Kanu Youth
(ix)	Ivory Room-Mombasa Plot No. MSA/ISLAND/XXV/38	M/s. Josgid Ltd, P.O Box 51990 Nairobi
(x)	Malindi-District Warden's Office/Staff Houses	Parts of it allocated to: (xiv) Mwalimu K. Ngandu P.O Box 371 Malindi (xv) Benjamin Rondo P.O Box 371, Malindi (xvi) Godfrey Mjomba P.O Box 371 Malindi (xvii) Z.A Mabea P.O Box 30089, Nairobi (xviii) Amiani S.N P.O Box 371, Malindi (xix) Bahati Temo P.O Box 371 Malindi (xx) John Thoya P.O Box 371 Malindi (xxi) Francis B. Diwani P.O Box 5184, Malindi (xxii) Josephine Wanjiku Kariuki P.O Box 371 Malindi (xxiii) Martin Saro P.O Box 371 Malindi (xxiv) Francis Maritim P.O Box 30089, Nairobi (xxv) Esther W. Maina P.O Box 30089, Nairobi M/s. Salem Investments P.O Box 30089, Nairobi

(xi)	Embu District Warden's House L.R. No. Embu / Mun//Parcel 1360	Mr. Eustace Njeru.
(xii)	Garissa Station - Excised, as plots with one plots title issued on parcel no. 154 title No. Garissa Township/Block 11/154 on 29/5/1998	Mohammed Abdi Ogle P.O Box 327 Garissa
(xiii)	Nanyuki station (v) Letter of Allotment Ref: 25859/XXXIII of 28/11/95 (vi) Letter of Allotment Ref: 258559/XXXVIII of 28/11/95 (vii) Letter of Allotment Ref: 35869/XXXIII of 28/11/95 (viii) Letter of Allotment Ref: 25859/XXXIII of 28/11/95	C.M. Muigo c/o P.O Box 1356, Nairobi (iv) D. Gitau P.O Box 420 Nanyuki (v) D.N Gethi P.O Box 420 Nairobi (vi) James Gichuhi Wachira P.O Box 331 Nanyuki
(xiv)	Kericho Station staff quarters area of 1.15HA remain under KWS vide letter of allotment Ref: 192234 on 15/07/1997	Mr. Ajiwa Shamji
(xv)	Watamu Marine N. Park plot No. 810 Legal Notice 98 of 26/03/1968	Pierre Le'Porte Limited Directors: (ix) Roberto Lenzi (x) Remo Lenzi
(xvi)	Naivasha Fisheries Annex letter of allotment issued to KWS for part of the whole area initially occupied	Portion allocated to a private developer part of which is a RAMSAR site and a riparian land
(xvii)	Ras Tanewiki National Park.	- Area of 0.5083 HA excised and allocated to Private Developer

(xviii)	- Kakamega Office Site and senior staff houses. - Kakamega Mun/B1/255	- Part allocated to the following private developers:- (xi) Hilary Konyi and M. Nyamumbo P.O. Box 16, Kakamega. (xii) Praxedes Nasimiyu Wasike of Box 1885, Kakamega. (xiii) Kennedy Kubasu, P. O. Box 5598, Eldoret. (xiv) Henry Murwa, P. O. Box 66985 Nairobi. (xv) Stephen Odinga P.O. Box 852, Bungoma. (xvi) Praxedes A. N. Wasike of P. O. Box 1885, Kakamega.
(xix)	Kitengela Wildlife Corridor	M/s. Maasailand Impex Company Directors: (i) Philip Lampat Ole Singaru (ii) David Ole Sankori (iii) Daniel Kasirimo Ole Muyaa (iv) Geoge Mepukori Ole Pertet
(xx)	L.R No. 10815 within Malindi National Reserve 0.017 ha.	M/s. Franci Ltd.

(ii) the Director of the Service should survey all the pieces of land belonging to the Service with a view to facilitating issuance of title deeds for the same;

(iii) Director of the Service ensures that all structures that have been developed on the buffer zone (*30 metres stretch after the high tide zone)* along the Indian Ocean coastline be demolished with immediate effect; and

(iv) that the following persons who abetted illegal allocation of a part of Kisite Marine National Park and Mpunguti Marine National Reserve be investigated and charged with the appropriate offence by the Attorney General and be barred from holding public office conferred by the Republic of Kenya:-

- Mr. Francis Baya, the then Permanent Secretary, Ministry of Lands;
- Mr. S. K. Mwaita, the then Commissioner of Lands; and
- Mr. Suleiman M. B. Kamoleh, the then Matuga M.P.

The Committee also recommends that the Chief Executive ensure that the Service maintains an updated Fixed Assets Register.

2. DEBTORS

Included in the debtors balance of Kshs.100,673,000 as at 30 June 2003 is an amount of Kshs.3,035,862 owed by ex-staff of the Service in respect of medical, salary advance and imprest, whose recoverability is doubtful. In addition, other staff debtors relating to medical of Kshs.12,226,529 have remained outstanding for a long period and recoverability is also in doubt. Out of this amount, Kshs.1,251,418 was not supported by any documents and it was not possible to determine what it represents. Further, an amount of Kshs.1,240,030 was indicated in the records as owing from a deceased officer and whose recoverability is doubtful. Accordingly, adequate provision for bad and doubtful debts ought to have been made in these financial statements to cover debts whose recoverability is doubtful.

The Committee heard evidence given by the Chief Executive that the amount of Kshs. 3,035,862 owed by ex-staff of the Service in respect of medical, salary advance and imprest and whose recoverability was doubtful and those owed by deceased former employees have since been forwarded to the Board of Trustees for write-off.

The Committee further heard that the unsupported amount of Kshs.1,251,418 related to medical cases that had been outstanding in the books since 1995 when KWS migrated to its current accounting software. Efforts to trace the supporting documents have been unsuccessful.

The Committee recommends that the Chief Executive should ensure that the Service makes adequate provision for its bad and doubtful debts in accordance with International Accounting Standards.

3. ADVANCE PAYMENT TO CONTRACTORS

Kenya Wildlife Service made payments totaling Kshs.7,153,609 to two contractors in 1994/95 financial year, after the contracts had been terminated due to lack of diligent performance. The recovery plans in place have not yielded any results and accordingly, a provision ought to have been made in the financial statements for possible non recovery.

The Committee heard evidence given by the Chief Executive that the KWS made payments totalling Kshs.7,153,609 to two contractors as advance payments for rehabilitation of roads in Lake Nakuru National Park and construction of buildings at Migwara School and Sand River Camp and that recovery of the advances has been unsuccessful.

The Committee was informed that:

(i) KWS contracted Universal F & B at Kshs.2,720,128 to undertake rehabilitation of roads in Lake Nakuru National Park. Due to lack of diligence, the contract was terminated in 1994. A final account for the works prior to termination was subsequently prepared which reflected an overpayment of Kshs. 149,866.65. KWS undertook to complete the works and in the course of completion, a dispute arose between KWS and the Contractor resulting to arbitration of which an award was published in May 2002 partly in favour of the Contractor;

(ii) in accordance with the terms of contract, the process of recovering the debt from Messrs Universal F & B could only have been initiated after May 2002 when the arbitration process was concluded. However, the recovery process was not initiated due to the following contractual shortcomings;

(a) the period taken from the date of termination to the conclusion of the arbitration was about eight (8) years. The delay was considered unreasonably long under the conditions of the contract to pursue the debt.

(b) KWS awarded a completion contract in excess of the outstanding works at the time of termination. The additional works in contractual terms, complicated the determination of the actual cost of termination.

(iii) in view of items (a) and (b) above, it became apparent that an attempt to recover the debt would be challenged by the contractor; and

(iv) KWS had contacted M/s Kitek Contractors to construct buildings at Migwara School & Sand River Camp. KWS terminated the contract in 1995 due to lack of diligence on the part of the contractor. At the time of termination, the contractor had been paid Kshs. 4,433,481 as advance payment on strength of a guarantee through a performance bond issued by the Kenya National Assurance Company (in liquidation).

The Committee was concerned that the management of the KWS could not justify the basis of making the advance payments to the said contactors

The Committee recommends that the Chief Executive ensure that the Service makes adequate provision for its bad and doubtful debts in accordance with International Accounting Standards.

4. CREDITORS ACCRUALS AND PROVISIONS – KSHS.211,728,000

Included in the creditors balance of Kshs.221,728,000 as at 30 June 2003 is an amount of Kshs.29,925,917 out of which Kshs.3,921,378 could not be verified as no supporting documents were made available for audit review. In the absence of documentary evidence, it was not possible to determine what the amount was in respect of.

The Committee heard evidence given by the Chief Executive that the creditors amount of Kshs.3,921,378 recorded under the year under review could not be verified due to lack of supporting documents relating to the liabilities that had remained outstanding since 1994.

The Committee was informed that the amount has since been verified by the Controller and Auditor General and accounts adjusted accordingly thereby resolving the audit reservation.

5. CASH AND BANK BALANCES

The cash and bank balances of Kshs.178,257,000 as at 30 June 2003 includes and amount of Kshs.1,004,592 in respect of Tana GEF Project being petty cash which, for a long time, has remained outstanding and not accounted for. The amount represents a loss which was discovered after the officers who were concerned had left the Service. No efforts appear to have been made to recover the amount.

The Committee heard evidence given by the Chief Executive that the amount of Kshs. 1,004,592 recognised in the accounts of the Service for the year under review represented petty cash losses that were occasioned by officers of the Service at Tana GEF Project in 1999.

The Committee was informed that efforts of the Service to recover the amount from the said officers have been unsuccessful since they left the Service without properly handing over the project and no investigation was carried out at the time the loss was discovered.

The Committee recommends that Chief Executive seeks authority to write off the said loss of Kshs.1,004,592.

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE HIGHER EDUCATION LOANS BOARD FOR THE YEAR ENDED 30 JUNE 1999.

1. MEMORANDUM OF UNDERSTANDING

In my previous years' reports, it was indicated that the Higher Education Loans Board was legally required to automatically and fully take over and assume all rights, duties, obligations, assets and liabilities vested in the defunct Higher Education Loans Management Fund and the Ministry of Education Loans Disbursement and Recovery Unit. It was also indicated that only Kshs.151,436,589 and Kshs.26,267,780 in respect of the University Students Loans Scheme were paid to the Board's bank account from Kenya Commercial Bank Ltd and National Bank of Kenya Ltd respectively, in the financial year 1995/96. A review of the position during the year 1998/99 showed that records maintained in respect of the accounts of the University Students Loans Scheme were not seen and as a result, it was not possible to ascertain the repayment installments and interest which should have been received during the year 1998/99. As previously stated, until the taking over and handing over process is completed, the Board continues to be in breach of the law. Further, in the absence of records and accounts of the University Students Loans Scheme and the exclusion of Kshs.5,990,150,620 advanced to students in 1995 and prior years, it was not possible to confirm the accuracy and correctness of these Accounts.

The Committee heard evidence given by the Chief Executive that at the time when the audit of the accounts of the Board for the year ended 30th June 1999 was concluded, modalities had not been put in place for take over of the former University Students Loans Scheme (USLS) of the Ministry of Education.

The Committee further heard that:-

(i) **the amount of Kshs. 5,990,150,620 issued as loans to students through the USLS as at 30th June 1995 and prior years was excluded from the 1995/96 to 1998/99 HELB financial statements as the Ministry of Education had not prepared for audit, the requisite Statement of Outstanding Loans as at 30th June 1995;**

(ii) **a task force comprising officers from the Ministry of Education and HELB was appointed to reconcile the records of the USLS and to prepare a detailed handing over report;**

(iii) **the handing over of USLS was concluded on 23rd August 2000 by the signing of a Memorandum of Understanding between the Ministry of Education, Science and Technology and Higher Education Loans Board; and**

(iv) the accounts of the former USLS, including the Kshs. 5,990,150,620 advanced to students between 1974 to June 1995 and the accrued interest thereof, were incorporated into the HELB 1999/2000 Annual Accounts and verified by the Controller and Auditor General thereby resolving the audit query.

2. SUSPENSE ACCOUNT

The Balance Sheet reflects a Suspense Account figure of Kshs.11,266,455 which apparently is a balancing amount representing excess debits over credits in the Board's adjusted Trial Balance as at 30 June, 1999. The Board has however, been unable to identify and explain the cause or the nature of this difference and in the circumstances, therefore, it has not been possible to ascertain its effects on these Accounts.

The Committee heard evidence given by the Chief Executive that the suspense account of Kshs.11,266,455 which was reflected in the accounts of the Board for the year under review as a balancing amount has since been reconciled and included in the Board's Balance Sheet for the year 2001/2002 thereby resolving the audit query.

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE HIGHER EDUCATION LOANS BOARD FOR THE YEAR ENDED 30 JUNE 2000.

SUSPENSE ACCOUNT AND CASH FLOW STATEMENT

The Balance Sheet as at 30 June 2000 reflects a Suspense Account of Kshs.7,653,732.30, which apparently is a balancing figure representing excess credits over debits in the Board's adjusted Trial Balance as at 30 June 2000. The Board's Accounts for the previous year similarly reflected a Suspense Account balance of Kshs.11,266,455.20 by which the debits exceeded the credits. Further, the cash at the end of the period in the Cash Flow Statement differed from the cash reflected on the Balance Sheet by Kshs.313,409.05. The Board has not identified the cause of the suspense account or reconciled the difference in closing cash balances in the Balance Sheet and that in the Cash Flow Statement. In the circumstances, therefore, it has not been possible to determine the effect of these differences on the Accounts of the Board for the year under review.

The Committee heard evidence given by the Chief Executive that the suspense account of Kshs. 11,266,455 which was reflected in the accounts of the Board for the year under review as a balancing amount has since been reconciled and included in the Board's Balance Sheet for the year 2001/2002 thereby resolving the audit query.

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE HIGHER EDUCATION LOANS BOARD FOR THE YEAR ENDED 30 JUNE 2001.

1. SUSPENSE ACCOUNT

The Balance Sheet as at 30 June 2001 reflects a Suspense Account of Kshs.8,232,994.50, which, as was the case of the year 2000, amount of Kshs.7,653,732.50 apparently is a balancing figure representing excess credits over debits in the Board's adjusted Trial Balance and Accounts as at the same date. Although as in the previous year, the Board states that efforts are being made to identify the causes of the Suspense Account, the genesis of the suspense account has not been identified. In the circumstances, therefore, it has not been possible to determine the effect of this difference on the Accounts of the Board for the year ended 30 June 2001.

The Committee heard evidence given by the Chief Executive that the suspense account of Kshs. 7,653,732.50 which was reflected in the accounts of the Board for the year under review as a balancing amount has since been reconciled, verified and included in the Board's Balance Sheet for the year 2001/2002 thereby resolving the audit query.

2. DEBTORS

The Accounts Receivables of Kshs.6,743,609,819 as at 30 June 2001 and as stated in Note 6 to the Accounts, include Kshs.16,257,964 owed to the Loans Board under Universities Investment Project (U.I.P), by the World Bank through IDA Credit No.2309 (KE). The amount which was incurred directly by the Board in 1998 on account of overseas study tours, training courses and workshops for some of its senior staff and Government officials through loose arrangement with the World Bank (IDA) and the Ministry of Education has not been reimbursed by the Bank as at 30 June 2001. The contractual agreement between the Loans Board and the World Bank, under the IDA 2309 Credit (KE), which would highlight such funding, was not made available for audit. In the absence of such an agreement, it has not been possible to confirm the recoverability of the amount of Kshs.16,257,964 incurred by the Board on training and included under receivables.

The Committee heard evidence given by the Chief Executive that during the year under review the Board's Balance Sheet Debtors figure of Kshs. 6,743,609,819 included Kshs. 16,257,964 owed by the Higher Education Loans Board under the University Investment Project funded by the World Bank through IDA Credit No. 2309 (KE).

The Committee further heard that: -

(i) the amount arose as a result of an agreement between the University Investment Project (Ministry of Education) and the Higher Education Loans Board. The Board was to use their internal funds to facilitate their senior staff and government official attend training under the IDA Credit No. 2309 KE and later be reimbursed to HELB;

(ii) various correspondences were sent to the Ministry of Education requesting for the outstanding amount to be reimbursed to the Board;

(iii) on 8th April 2004, the Ministry of Education vide their letter referenced C/1030/D/1/101 accepted that the Ministry ought to have reimbursed the money but since IDA Credit No. 2309 KE came to an end in 1998, it was not in a position to make reimbursement. The Ministry further asserted that the money so used by the Higher Education Loans Board was public fund hence the Ministry should not appear in the Board's books as a debtor; and

(iv) on the strength of this letter, the Board of Directors gave authority for the same to be written off from the books of accounts, which was done in the year 2004/2005 thereby resolving the audit query.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NATIONAL CEREALS AND PRODUCE BOARD FOR THE YEAR ENDED 30 JUNE 2000.

1. OPERATING RESULTS

During the year ended 30 June 2000, the Board realized a deficit of Kshs.383,156,625 which together with a prior year's adjustment of Kshs.124,722,310 reduced its accumulated surplus from Kshs.794,812,937 in 1999 to Kshs.536,378,622 as at 30 June, 2000. The Creditors which the Board was unable to settle totaled Kshs.351,623,590. As was the case in the previous year, the Board's poor performance is still attributed to, among other factors, its inability to sustain itself in a grain liberalized market and also staff costs which after the retrenchment was undertaken, still increased from Kshs.273,809,269 in the previous year to Kshs.297,709,151 as at 30 June 2000. The Board also continued to rely heavily on loan and overdraft facilities which during the year under review, cost Kshs.88,187,864 in interest and other charges.

The Committee heard the evidence given by the Chief Executive that the Board posted a net operating deficit of Kshs. 383,156,625 which, with its prior year's adjustment, reduced the accumulated surplus from Kshs.794,812,937 as at 30th June 1999 to Kshs.536,378,622 as at 30th June 2000.

The Committee heard that the adverse financial performance was attributed to: -

(i) **the delay in implementation of reforms by the Board on restoration of working capital and cost reduction initiatives. This was to be addressed through settlement of past shortfalls in Government of Kenya Subvention Grants and other unpaid obligations which stood at Kshs.40.8 million as at 30th June, 2006; and**

(ii) **non-implementation of disposal of surplus depots and other properties through assets divestiture programme which was expected to generate Kshs.926,986,233.00.**

The Committee was informed that the Board relied on the normal stand-by overdraft facility of Kshs.400 million maintained with Kenya Commercial Bank Ltd and received a short-term loan facility of Kshs.400 million with the same bank to meet its shortfall in working capital.

The Committee noted that:-

(i) **a Cabinet Memorandum had been prepared which would facilitate downsizing of network, disposal of some 37 depots and other properties to generate Kshs.540 million, shedding off about Kshs.114 million**

operational costs and settling of arrears amounting to Kshs.710.02 million by the Government;

(ii) the government has initiated a balance sheet restructuring exercise whose outcome will address both the short term and long term strategies to turn the Board around and sustain its financial viability; and

(iii) the parent Ministry had granted the Board an amount of Kshs. 20. million in the financial year 2005/2006 toward part settlement of the deficit.

The Committee observed with concern that the Government has taken inordinately long to address the issue of settlement of past shortfalls in GOK subvention grants and other unpaid obligations and disposal of surplus depots and other properties.

The Committee recommends that:-

(i) the Government should revamp the Board and provide it with sufficient funds to sustain its operations; and

(ii) the Chief Executive puts in place measures in order to address the Board's business risks in the now liberalised market. This should include and not limited to; diversification of and value addition to commodities handled by the Board, aggressive marketing and cost cutting measures.

2.0 FIXED ASSETS

2.1 Donor Funded Facilities

The Fixed Assets figure of Kshs.9,239,942,930 as at 30 June 2000 includes donor funded facilities, whose ownership has not been determined. Although the Public Investments Committee in its tenth report recommended that the Board should liaise with the parent Ministry and the Treasury with a view of ensuring that the assets are transferred to the Board, no evidence was seen to confirm that the transfer process had been concluded by 30 June, 2000.

Available information however, indicates that out of the 55 donor funded facilities which are located at various depots and silos, 21 are expected to be transferred to the Office of the President whereupon the Government will refund Kshs.144,147,987 to the Board being the cost contribution at the initial stages of construction of the facilities. 18 facilities will be privatized by the Government and a further cost contribution of Kshs.93,989,696 will be refunded to the Board by the Government out of the sale proceeds of the facilities. Apart from the fact that the Public Investments

Committee recommendation has not been implemented, no justification has been provided for the intended sale of the facilities given that the Board still requires storage facilities for food throughout the country.

It was not possible therefore, to confirm that the Board's fixed assets figure of Kshs.6,239,942,930 is fairly stated as at 30 June 2000.

2.2 Assets without Title Documents

The Fixed Assets figure of Kshs.6,239,942,930 as at 30 June, 2000 includes 52 plots valued at Kshs.44,607,764 for which the Board has not obtained the title deeds. In the absence of the title documents, it was not possible to confirm the ownership and completeness of the Board's fixed assets.

The Committee heard evidence given by the Chief Executive that the Balance Sheet Fixed Assets figure of Kshs. 6,239,942,930 as at 30th June 2000 included donor funded facilities whose ownership is yet to be determined. At the commencement of NCPB's commercialization on 1st July 1997, it was, in principle agreed that the donor funded facilities be transferred to the Board through Government of Kenya's established procedures and formalities. Towards this end Treasury prepared a Cabinet Memorandum which was not approved pending clarifications.

The Committee further heard that:-

(i) **subsequent to past recommendations of the Committee, the Board has held consultative meetings with the Office of the President, Ministry of Finance and Ministry of Agriculture with a view of finalizing the matter. Cabinet approval is still being awaited;**

(ii) **the rationale to sell part of the Board's depots and facilities was to rationalise the Board's large infrastructure which had been developed during the era of monopoly in the cereals business;**

(iii) **of the 21 depots and silos expected to be transferred to the Office of the President, the High Level Committee (comprising the Permanent Secretaries in the Office of the President, Ministry of Finance & Ministry of Agriculture) in its meetings held in Harambee House on November 13, 2002 reversed its earlier decision and resolved that the depots be retained by NCPB and be availed for use only when needed by the Government through the existing contractual agreements; and**

(iv) **of the 51 plots without ownership documents, the Board has acquired title documents for 24 of them valued at Kshs.18,370,770. Titles are being prepared for 7 plots and approvals and Deed Plans are being**

processed for 6 plots. Further letters of allotment are awaited for 12 plots while 2 of them are being surveyed.

While acknowledging Government resolve of rescinding its decision to transfer the 21 depots and silos to the Office of the President, the Committee observed that it has taken inordinately long for the government to consent transfer of the donor-funded facilities to the Board.

The Committee reiterates its recommendation it in the 10th Report that the Board liaises with the parent Ministry and the Treasury with a view of ensuring that the donor-funded assets are transferred to the Board.

The Committee further recommends that the Chief Executive expeditiously pursues issuance of ownership documents for the remaining parcels of land.

3.0 DEBTORS AND PREPAYMENTS

3.1 Trade Debtors

The Board has not been able to recover debtors amounting to Kshs.663,832,083 as at 30 June, 2000. Out of this figure, debtors totaling Kshs.562,702,833 were noted to have remained outstanding for more than eight (8) years and their recoverability is therefore doubtful due to lapse of time. Further, debts totaling Kshs.369,162,962 have been disputed by two institutions. In view of the above, it is not possible to confirm the recoverability of the debtors balance of Kshs.663,832,083 as well as the adequacy of the provision for bad and doubtful debts of Kshs.455,807,833 made in the Board's accounts for the year ending 30 June, 2000.

3.2 Staff Debtors

The staff debtors figure of Kshs.53,043,358 was arrived at after the Board wrote off staff debts totaling Kshs.82,658,916. The debts written off includes a sum of Kshs.80,994,181 which arose as a result of funds or goods misappropriated by staff of the Board at various depots. Evidence was, however, not produced to show the efforts that the Board made to recover these debts from either the staff salaries or terminal dues of those who left the service before the write off option was adopted.

The Committee heard the evidence given by the Chief Executive that the figure of Kshs. 663,832,083.50 as at June 2000 represented debts which have remained outstanding for more than 15 years and whose recoverability is doubtful. The debts were as follows:-

Debtor	Amount as at 30.06.2000
Other Trade Debtors	114,563,750.45
Gunny bag Debtors	133,877,201.15
Swap Debtors	360,345,782.05
Export Debtors	53,663,363.25
Sub- Total	662,450,096.90
Amount under reconciliation	1,381,986.60
Total	663,832,083.50

The Committee further heard that:

(i) the Corporation encountered problems in debt recovery among them; Limitations of Actions Act (Cap 22), inability to trace the origin of some debts, lack of supporting documents and traceability of some of the debtors, and dismissal of Court cases in favour of some debtors;

(ii) the Board of Directors contracted the services of an external consultant to provide independent professional advice and guidance on the matters of the doubtful debts;

(iii) out of Kshs. 114,563,750.45 owed by other Trade Debtors, an amount of Kshs.62,374,167.55 was written off, and subsequent recoveries amounting to Kshs.8,566,009.75 were made while internal adjustments of Kshs.82,657,438.05 were made;

(iv) debts owed by staff of Kshs.136,776,596.00 had been reduced to Kshs.37,062,098 as at June 2006 by way of recovery. The Board wrote-off the amount of Kshs. 80,994,181 relating to cash and stock losses due to difficulties in recovery;

(v) an amount of Kshs.23,714,858.00 was inherited from former Wheat Board of Kenya and in absence of supporting documents for subsequent recovery, this debt was written off in 1999/2000 Financial Year;

(vi) the Gunny Bags debtors amount of Kshs.133,877,201.00 was reduced by Kshs.6,631,758.00 and that a case is pending in Court vide H.C.C.C. No. 176 of 1994 against four persons in relation with the debts;

(vii) in respect of the balance of Kshs. 360,345,782.05 due to Swap Debtors, the Board is still pursuing the WFP and the Treasury to reconcile the actual debt due and settle the same;

(viii) out of Kshs. 53,663,363.25 in respect of export debtors, Kshs. 4,258,502.00 was written off and the rest of the balance is owed by Indu Farm (Kshs.21,371,088.20);and

(ix) the Board instituted civil suit No. H.C.C.C No. 176 of 1994 to recover Kshs. 33,990,449.45 in connection with Mombasa fraud case. This followed a successful criminal suit against the defendants. Determination of the civil suit is awaited.

The Committee further heard that an amount of Kshs.75,150,468.00 owed by M/s. Corrigrain (U.K) Ltd was fraudulently diverted to a secret account in Switzerland belonging to a then employee of the Board, Mr. Alfred Kiptanui Keter. The Committee was informed that M/s. Corrigrain's employees could not be brought under the jurisdiction of Kenyan courts in the absence of an extradition treaty between Kenya and Switzerland, thereby making it difficult to charge Mr. Keter with theft by servant due to lack of colloborating evidence.

The Committee observed with concern that:-

(i) substantial amounts of money was written off without convincing reasons leading to huge losses to the Corporation;

(ii) the matter with Corrigrain (UK) Ltd which owes an amount of Kshs.32,292,275.00 had persisted for so long without being resolved, dating back from the 6th report of the Committee (of 1995).

The Committee reiterates it recommendation in its 12th Report that:-

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

(ii) the Chief Executive closely follows the civil suit No. H.C.C.C No. 176 of 1994 for recovery of Kshs. 33,990,449.45 its logical conclusion and ensures that the interest of the Board are safeguarded;

(iii) the Director of Criminal Investigations Department should investigate the losses in respect of gunny bags with a view to recovering the money lost; and

(iv) the Director of Criminal Investigation Department should institute immediate investigations with a view to apprehending the culprits and recovering the losses from Messrs Alfred Kiptanui Keter and M/s. Corigrain.

4.0 CREDITORS AND PROVISIONS

4.1 Trade Creditors

The Trade Creditors figure of Kshs.91,900,179 excludes a claim on the Board totaling Kshs.11,874,149 by the National Irrigation Board, which the Board has disputed. The Board on the other hand made a counter claim of Kshs.8,795,181 from the National Irrigation Board. Until and unless these disputes are resolved, it is not possible to confirm the propriety of the creditors figure of Kshs.91,900,179 as at 30 June, 2000.

4.2 Sundry Creditors

The Sundry Creditors balance of Kshs.259,723,411 excludes stale cheques totaling Kshs.16,180,197 after writing back stale cheques totaling Kshs.37,324,865 and netting off unexplained debit balances totaling Kshs.197,733,506. In the absence of proper analyses of debits and credits affecting the sundry creditors, it is not possible to confirm the accuracy of the sundry creditors figure of Kshs.259,723,411 as at 30 June 2000.

The Committee heard evidence given by the Chief Executive that, under the arbitration of the Inspectorate of State Corporations, the Board had successfully negotiated with the National Irrigation Board (NIB) and determined that NIB owes the Board Kshs. 8,785,180.30 while the Board owes NIB Kshs. 11,874,149.05. The net indebtness is Kshs. 3,088,968.75.

Further, the Sundry Creditors balance of Kshs. 259,723,411 which include stale cheques written back have since been analysed and reconciled and verified thereby resolving the audit query.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE KENYA POST OFFICE SAVINGS BANK FOR THE YEAR ENDED 31 DECEMBER 2003.

1. LATE SUBMISSION OF FINANCIAL STATEMENTS

Although Kenya Posts Office Savings Bank is required to submit its financial statements for audit within three months after the end of the financial year to which the statements relate, the financial statements for the year ended 31 December 2003 were not submitted until 23 September 2004, more than five months after the due date. The Bank was therefore in breach of the law.

The Committee heard evidence given by the Chief Executive that the management of the Bank failed to submit its financial statements for audit within 3 months after the end of the financial year ending 31 December 2003 in breach of the State Corporations Act (Cap 446) and the Public Audit Act 2003.

The Committee further heard that the Bank has since been complying with the law and has been submitting its financial statements for audit as required.

The Committee recommends that the Chief Executive ensures that the Bank prepares and submits its annual financial reports in accordance with the Public Audit Act, 2003.

2. DEBTORS

The Balance Sheet debtors prepayments and other assets balance of Kshs.1,550,424,715 as at 31 December 2003 includes a total of Kshs.636,801,335 due from Postal Corporation of Kenya, which has not been reconciled with the Postal Corporation for accuracy and existence. The debtors balance also includes Kshs.4,073,670 due from former Managing Director being the balance due on a loan and Kshs.12,120,015 due from former employees. In addition, visa card debtors figure of Kshs.122,109,333 remained outstanding. In all these cases, no evidence was availed to show the action being taken to recover the debts. I am therefore unable to confirm whether and if so, when the bank will be able to recover these amounts. For the same reasons, it has not been possible to confirm the accuracy of the debtor's figure of Kshs.1,550,424,715 as at 31 December 2003.

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

(i) **the un-reconciled figure of Kshs. 636,801,335 included the Bank's Balance Sheet Debtors and Pre-payment figure of Kshs. 1,550,424,715 and which was due from Postal Corporation of Kenya has since been reconciled and agreed between the two Corporations;**

(ii) **out of Kshs.4,073,670 and Kshs. 12,120,015 due from former Managing Director and other employees respectively, Kshs.1,997,528.60 has been recovered, some have been determined through court process while the balance is being pursued;**

(iii) **the Bank has since enhanced its Visa Card debts collection by way of engaging debt collectors, strengthened credit policy, recovery of staff balances through payroll and litigation;**

(iv) **out of the Kshs. 122,109,333 indicated on the audit certificate as outstanding, Kshs. 54,486,759 was related to active accounts with no overdues. Further, Kshs.6,607,213 related to active accounts with some overdues while the Bank had instituted legal proceedings and engaged debt collectors to recover Kshs.61,015,361. The Bank has since recovered a total of Kshs. 4.8 million while it continues to pursue defaulters.**

The Committee recommends that: -

(i) **the Chief Executive immediately pursues recovery of the debt of Kshs. 4,073,670 owed by Mr. Isaiah Kiplagat former managing Director and Kshs.10,122,486.40 due from former employees; and**

(ii) **the Bank should use all means possible to recover debt of Kshs. 127 million held by its Credit Card holders.**

3. DEFERRED ASSETS

The total assets figure of Kshs.12,220,337,792 as at 31 December 2003 include deferred assets of Kshs.202,153,998 which represents balance of accumulated losses incurred by the Banks over the years. Section 13(1) of the Kenya Post Office Savings Bank Act (Cap 493B) provides that if in any year the revenue of the bank is insufficient to defray the interest due to depositors and all expenses under the Act, such deficiency shall be charged upon and paid out of the Treasury Consolidated Fund. The amount received from Treasury during the year as disclosed in note 6 to the accounts was Kshs.297,549,273. It is however noted that the Bank has accumulated revenue reserves of Kshs.758,233,114 as indicated in the Balance Sheet and it is therefore not clear why the losses made by the Bank continue to be recovered from Treasury.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Banks Assets figure of Kshs.12,220,337,792 included accumulated losses of Kshs. 202,153,998 which was treated as deferred assets.

The Committee further heard that the Bank recognised the losses as deferred assets pursuant to Kenya Post Office Savings Bank Act Cap 493(B) which

provides that *if in any year the revenue of the Bank is insufficient to defray the interest due to depositors and all the expenses under the Act, such deficiency shall be charged upon and paid out of the Consolidated Fund.* The Bank claimed this loss from the government and received Kshs. 297,549,273 against its recorded revenue reserve for the year of Kshs. 758,233,114

The Committee further heard that:-

(i) the losses were cumulative from the year 1992 to 2001;

(ii) a dispute arose on the refund of the losses in 1992 occasioning the parties involved to appoint M/s Bell House Mwangi-Ernst and Young firms of Auditors to examine the nature of the losses. The Consultants found out that of the total losses of Kshs.1,104,732,000 incurred, Kshs.10,277,000 was occasioned by non-commercial management decisions and as such, were to be borne by Kenya Post Office Savings Bank while the Treasury was to underwrite the balance of Kshs.1,094,455,000.00; and

(iii) the Treasury has continued to meet its obligation of offsetting the loss such that the amount owing as at March 20, 2003 was Kshs. 202 Million.

While noting that the government guarantee in the Bank should be seen as security for depositors and not as a source of income for the Bank, the Committee observed with concern that Kenya Post Office Savings Bank Act, (Cap 493B) is inadequate as it obligates the Government to offset losses incurred by the Bank from the Consolidated Fund irrespective of how such losses arose. This in effect results in committing public funds to offsetting losses occasioned by poor management decisions.

The Committee recommends that:-

(i) the Chief Executive of the Bank ensures that the Bank is run in accordance with sound business principles and prudent commercial practices; and

(ii) the Chief Executive and Treasury urges the Attorney General to propose amendments, for consideration by this House, to Sections 8(1) and 13(1) of the Kenya Post Office Savings Bank Cap 493 (B) to accommodate the views of the Treasury that the Bank should only be compensated by the government in event of losses accrued due to operating in financially non-viable environment to cushion depositors and not in instances where such losses are occasioned by inefficiencies and/or mismanagement.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA MEDICAL TRAINING COLLEGE FOR THE YEAR ENDED 30TH JUNE 1998

1. FIXED ASSETS

As was the case in the previous year, the Balance Sheet Fixed Assets figure of Kshs.875,311,400 as at 30 June 1998 still excludes the value of land and buildings at Kenya Medical Training College Headquarters, South Hill Mess, Nairobi and also at all the constituent colleges inherited from the Ministry of Health across the country. Accordingly, the College's fixed assets of Kshs.875,311,400 reflected in the Accounts for 1997/98 are understated to the extent of the value of land and buildings so excluded. A review of the position in 1999/2000 indicates that the College's assets were re-valued at Kshs.4,149,782,810 in November, but the College is yet to obtain title deeds for its land. In addition, two buildings have been erected on the land at the South Hill mess by a private developer, thus casting doubts as to the College's ownership of the South Hill mess land parcel.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet assets figure of Kshs.875,311,400 excluded undetermined value of land and buildings at the College's Headquarters, South Hill Mess, Nairobi and all urban constituent colleges, which had not been valued at the time of the audit.

The Committee further heard that the valuation has since been undertaken and the correct value stood at Kshs.4,149,782,810 as at November 2000.

The Committee also heard that:

(i) **the land LR.No.209/14269 - 78 (South Hill Mess) which was originally reserved for the College and allocated to it vide the allotment letter No. 248093/V/45 dated December 18th 1996 and which had staff houses occupied by four families was later subdivided and allocated to the following private developers based on a spurious part Development Plan No. 42/15/94/13 of 18th September 1994: -**

LR No. Plot No.	Letter of Allotment No. (all dated 22nd August 2000)	Lands File No.	Name of Allottee and Box No.	Title Status
209/14269 (Plot A)	185788/24	226080	Westlink Associates Box 79222, Nairobi	Title No. L.R 90812 (cancelled)
209/14270 (Plot B)	185788/25	223517	Robert Mutiso Leli, Box 28587 Nairobi	Allocation Cancelled

209/14271 (Plot C)	-	-	Unknown	Allocation Cancelled
209/14272 (Plot D)	-	228092	Unknown	Allocation Cancelled
209/14273 (Plot K)	185788/30	-	MicroTech Accessories Ltd, Box 62360 Nairobi	Allocation Cancelled
209/14274 (Plot H)	185788/29	-	Hope Concepts & Spirit Ltd, Box 2354 Nairobi Partners: Mr. George Augustine Arwa and Philomena Ajok Oruro and John Henry Oruro	Title No. LR 91420 issued
209/14275	185788/31	-	Philip Kangwaini & Angela Mwaniko, Box 52006, Nairobi	Allocation Cancelled
209/14276 (Plot F)	-	226079	Unknown	-
209/14277 (Plot E)	185788/27	226082	Cabin Crew Investments Ltd Box 42498 Nairobi	Title No. LR 85965: Allocation Cancelled
209/14278 (Plot G)	185788/28	-	Tea Zone Properties and Saiwa View Inv. Ltd. Box 62810 Nairobi: Directors are Mr. Chris Owanda and Mr. Patrick Osero	Title issued

(ii) land LR No. 209/14270 belonging to the College was irregularly allocated to Robert Mutiso Lelli vide civil case No. Nairobi HCCC No.1354/98, allegedly as an alternative piece of land since the piece of land which had been earlier allocated to him in Mombasa was submerged in the Sea;

(iii) land LR No. 1160/13 and LR No. 1160/26 which had been allocated to the college vide letter of allotment No. 33408/V/76 of 11th February, 1998 was irregularly allocated to the National Museums of Kenya;

(iv) Machakos Municipal Council had sued the College in respect of land LR No. 11597 (Machakos - Kenya Israeli Campus) which had been reserved for the college vide Letter of allotment No. 73029/54 of 12th March 1993 and further that the title deed is in the name of Masaku County Council;

(v) one of the college's residential plots in Nakuru was subdivided into several plots and irregularly allocated to the following private developers:

- James Mokaya Osano - Nakuru/Mun/Block 12/264
- Joseph K. Chepkitany - Nakuru/Mun/Block 12/263
- John Chepkien - Nakuru/Mun/Block 12/262
- Unknown - Nakuru/Mun/Block 12/263;

and that the title deeds have been cancelled and reallocated to the Treasury as a trustee of the Ministry of Health's property.

(vi) Garissa MTC had been allocated approximately 7.46 hectares of land by the DDC in 1994 and later a portion of the land was irregularly allocated to private developers.

The Committee observed with concern that the Commissioner of Lands without recourse to the College and contrary to the recommendations of the Mutito Ad-hoc Commission of 1994 which dealt with the subdivision of the Kenyatta National Hospital Complex, allocated land reserved and/or allocated to the College to private developers.

The Committee noted that, arising from its recommendation in its 12th Report, the allotees in respect of the Nakuru/Mun/Block/12/262,263,264 and 283, which was allocated to the Treasury as trustee of the Ministry of Health, have since been evicted.

The Committee recommends that:

(i) the Director of Kenya Medial Training College should liaise with the Commissioner of Lands to ensure that the allocation of the following pieces of land to private developers are cancelled:

LR No. Plot No.	Letter of Allotment No. (all dated 22nd August 2000)	Lands File No.	Name of Allottee and Box No.	Title Status
209/14274 (Plot H)	185788/29	-	Hope Concepts & Spirit Ltd, Box 2354 Nairobi Partners: Mr. George Augustine	Title No. LR 91420 issued

			Arwa and Philomena Ajok Oruro and John Henry Oruro	
209/14276 (Plot F)	-	226079	Unknown	-
209/14278 (Plot G)	185788/28	-	Tea Zone Properties and Saiwa View Inv. Ltd. Box 62810 Nairobi: Directors are Mr. Chris Owanda and Mr. Patrick Osero	Title issued
LR No. Plot No.	Letter of Allotment No. (all dated 22nd August 2000)	Lands File No.	Name of Allottee and Box No.	Title Status
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209/14270 (Plot B)	185788/25	223517	Robert Mutiso Leli, Box 28587 Nairobi	-
209/14271 (Plot C)	-	-	Unknown	-
209/14272 (Plot D)	-	228092	Unknown	-
209/14273 (Plot K)	185788/30	-	MicroTech Accessories Ltd, Box 62360 Nairobi	-
209/14274 (Plot H)	185788/29	-	Hope Concepts & Spirit Ltd, Box 2354 Nairobi Partners: Mr. George Augustine Arwa and Philomena Ajok Oruro and John Henry Oruro	Title No. LR 91420 issued
209/14275	185788/31	-	Philip Kangwaini & Angela Mwaniko, Box 52006, Nairobi	-
209/14276 (Plot F)	-	226079	Unknown	-
209/14278	185788/28	-	Tea Zone	-

(Plot G)			Properties and Saiwa View Inv. Ltd. Box 62810 Nairobi: Directors- Mr. Chris Owanda and Mr. Patrick Osero	

(ii) **the Commissioner of Lands should recall title deed No.IR.77918 in respect of plot LR No. 1160/13, Karen, which was irregularly allocated to the National Museums of Kenya to facilitate the resurveying of the land and subsequent re-grant of the proper acreage to the college. The National Museums of Kenya is required to surrender the title deed to facilitate the resolving of the dispute;**

(iii) **the Chief Executive ensures that the titles registered under the Treasury are transferred to the Kenya Medical Training College; and**

(iv) **the Chief Executive ensures all its parcels of land are valued and incorporated in the books of the College.**

2. PERIMETER WALL FENCING

In August 1997, a consultant was appointed, without competitive bidding, to design a perimeter fence around the College and thereafter to invite selective tenders for the construction of the perimeter fence.

The firm was awarded the contract at a cost of Kshs.15,086,612, which was later on varied to Kshs.20,205,595 to accommodate additional works including fixing of metal grills, landscaping and security sentries around the gates.

No tender documents or even Board minutes approving the consultancy and construction contracts were, however, seen. In the absence of any competitive bidding for the job as well as tender documents of Board approval for the project, it has not been possible to confirm the propriety of the expenditure or even to establish whether the College obtained value for money when it single sourced the contractor.

The Committee heard the evidence given by the Chief Executive that in August 1997, M/s. Tectura International was appointed without competitive bidding or approval of the Board, to design and supervise construction of a perimeter fence around the College. The Consultant was identified based on similar works that he had undertaken at Kenyatta National Hospital.

The firm thereafter selected M/s Magic General Contractors to undertake the construction at a contract sum of Kshs. 15,086,612.80 that was later varied to Kshs. 20,205,595 due to additional works introduced by the employer.

The Committee noted that Kenyatta National Hospital's contract on which the appointment of M/s. Tectura International was based was also irregular. In this regard, the Committee abhorred the manner in which the then Director of the College, Mr. William K. A. Boit identified and contracted the same firm to undertake perimeter wall fencing at the College.

The Committee expressed displeasure on the manner in which M/s. Tectura International was appointed to design and supervise construction of a perimeter fence around the College.

The Committee recommends that: -

(i) procurement of goods and services at the College is done in accordance with the Public Procurement Disposal Act, 2005; and

(ii) the then Chief Executive of the College Mr. William K. A. Boit be censured for irregularly contracting M/s. Tectura International to design and supervise construction of a perimeter fence around the College without boards approval.

3. PURCHASE OF FOODSTUFFS AT NAKURU MTC

The Nakuru Medical Training College incurred total expenditure of Kshs.9,155,755 from revenue collections to procure foodstuffs but without issuing Local Purchase Orders as required under proper procurement procedures. Consequently, and in the absence of Orders or Delivery Notes and Goods Received Notes, it was not possible to ascertain and confirm whether the foodstuffs so purchased were delivered and received and was also, what was required. It was further noted that out off the expenditure of Kshs.9,156,755, no mode of payment was indicated on payment vouchers totaling Kshs.4,824,957 and it was, therefore, not possible to confirm whether the payments were made by cheque or cash.

The Committee heard the evidence given by the Chief Executive that during the year 1997/98, Nakuru Medical College procured foodstuffs worth Kshs. 9,156,755 without issuing Local Purchase Orders. Further, out of this amount, the College failed to show the mode of payment for foodstuff worth Kshs. 4,824,957.

The Committee was informed that: -

(i) the purchases were made during the period when the College was under the Ministry of Health and lacked proper systems to oversee procurement;

(ii) the purchases queried of Kshs. 4,824,957 were made in cash; and

(iii) the Controller and Auditor General has since verified and confirmed the propriety of the total expenditure of Kshs. 9,156,755 made on food stuffs thereby resolving the audit query.

4. PARTITIONING, ACOUSTIC PADDING AND PURCHASE OF FURNITURE

During the year under review, the College awarded tender No. NBI DII/35/96-97 to a contractor to partition and provide furniture for the whole of its 2nd Floor Head Office building at a contract sum of Kshs.7,852,825 without inviting open tenders. Bills of Quantities or Board minutes approving the contract, including subsequent variations of Kshs.1,040,134.80, which raised the contract sum to Kshs.8,892,959, were not seen. Verifications of the works carried out by the contractor showed that items valued at Kshs.489,520.00 were not physically seen.

In the circumstances, therefore, it was not possible to confirm whether the College obtained value for money with regard to this contract.

The Committee heard the evidence given by the Chief Executive that without open competitive bidding, the College during the year under review awarded a contract for partitioning and provision of furniture for its second floor head office building at a contract sum of Kshs. 7,852,825.

The Committee was informed that: -

(i) the contract, which was made during the period when the College was under the Ministry of Health, was later varied to Kshs. 8,892,959;

(ii) of the furniture delivered, items worth Kshs. 489,520 were not physically seen; and

(iii) documents relating to the procurement were not handed over by the parent Ministry during the transition of the College. It has therefore been difficult for the College's administration to verify which items were not delivered by the supplier.

The Committee observed with concern that the successive management of the College have been inept in pursuing the undelivered furniture from the supplier and the respective supporting documents from the parent Ministry.

The Committee expressed displeasure on the manner in which the supplier was identified to supply furniture for the College.

The Committee recommends that the Chief Executive:-

(i) in liaison with the parent Ministry expeditiously pursues recovery of supporting documents in respect of the undelivered furniture worth Kshs. 489,520 from the parent Ministry;

(ii) ensure that procurement of goods and services at the College is done in accordance with the Public Procurement Disposal Act, 2005.

The Committee further recommends that the officers who were responsible for receiving the supplies in connection with the undelivered items be identified and surcharged by the Inspector General (Corporations) for the losses related to the undelivered furniture. The Chief Executive should provide the names of the officers to the Inspector General (Corporations).

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA MEDICAL TRAINING COLLEGE FOR THE YEAR ENDED 30TH JUNE 1999

1. FIXED ASSETS

During the year ended 30th June 1999, the College appointed a valuer after calling for quotations to value its assets countrywide and paid an amount of Kshs.4,375,000 instead of the quoted price of Kshs.3,500,000. No justification has been provided for the overpayment of Kshs.875,000. Further included in the fixed assets figure of Kshs.4,149,830,810 is Kshs.970,380,000 being the value of KMTC's land countrywide but whose title deeds have not been acquired by the College. In addition, six College vehicles taken to a private garage between September 1995 and December 1995 have reportedly been vandalized and have also been advertised for sale by the private garage owner to recover storage and other costs. It has not been possible to ascertain the condition or the value of these vehicles or why they would have been vandalized at the garage. Included in the fixed assets figure of Kshs.4,149,830,810 is also a sum of Kshs.9,175,000 being the value of thirty nine (39) grounded vehicles as at 30th June 1999 while vehicles inherited from the Ministry of Health were still bearing Government number plates instead of the blue number plates reserved for State Corporations. In view of the foregoing, it has not been possible to confirm that the College got best value for money spent on the valuation exercise of its properties countrywide or to confirm the value of vehicles and the ownership of land whose titles the college did not hold.

The Committee heard the evidence given by the Chief Executive and was informed that the Balance Sheet assets figure of Kshs.875,311,400 excluded undetermined value of land and buildings at the College's Headquarters, South Hill Mess, Nairobi and all urban constituent colleges, which had not been valued at the time of the audit.

The Committee further heard that the valuation had been undertaken and the correct value stood at Kshs.4,149,782,810 as at November 2000.

The Committee further heard that:-

(i) **the land LR.No.209/14269 - 78 (South Hill Mess) which was originally reserved for the College and allocated to it vide the allotment letter No. 248093/V/45 dated December 18th 1996 and which had staff houses occupied by four families was later subdivided and allocated to the following private developers based on a spurious part Development Plan No. 42/15/94/13 of 18th September 1994: -**

No	LR No. Plot No.	Letter of Allotment No. (all dated 22nd August 2000)	Lands File No.	Name of Allottee and Box No.	Title Status
1.	209/14269 (Plot A)	185788/24	226080	Westlink Associates Box 79222, Nairobi	Title No. I.R 90812 (cancelled)
2.	209/14270 (Plot B)	185788/25	223517	Robert Mutiso Leli, Box 28587 Nairobi	Allocation Cancelled
3.	209/14271 (Plot C)	-	-	Unknown	Allocation Cancelled
4.	209/14272 (Plot D)	-	228092	Unknown	Allocation Cancelled
5.	209/14273 (Plot K)	185788/30	-	MicroTech Accessories Ltd, Box 62360 Nairobi	Allocation Cancelled
6.	209/14274 (Plot H)	185788/29	-	Hope Concepts & Spirit Ltd, Box 2354 Nairobi Partners: Mr. George Augustine Arwa and Philomena Ajok Oruro and John Henry Oruro	Title No. LR 91420 issued
7.	209/14275	185788/31	-	Philip Kangwaini & Angela Mwaniko, Box 52006, Nairobi	Allocation Cancelled
8.	209/14276 (Plot F)	-	226079	Unknown	-
9.	209/14277 (Plot E)	185788/27	226082	Cabin Crew Investments Ltd Box 42498 Nairobi	Title No. LR 85965: Allocation Cancelled
10.	209/14278 (Plot G)	185788/28	-	Tea Zone Properties and Saiwa View Inv. Ltd. Box 62810 Nairobi: Directors are Mr. Chris Owanda and Mr. Patrick Osero	Title issued

(ii) land LR No. 209/14270 belonging to the College was irregularly allocated to Robert Mutiso Lelli vide civil case No. Nairobi HCCC No.1354/98 of 1988, allegedly as an alternative piece of land since the piece of land which had been earlier allocated to him in Mombasa was submerged in the Sea;

(iii) land LR No. 1160/13 and LR No. 1160/26 which had been allocated to the college vide letter of allotment No. 33408/V/76 of 11th February, 1998 was irregularly allocated to the National Museums of Kenya;

(iv) Machakos Municipal Council had sued the College in respect of Land LR No. 11597 (Machakos - Kenya Israeli Campus) which had been reserved for the college vide Letter of allotment No. 73029/54 of 12th March 1993 and further that the title deed is in the name of Masaku County Council;

(v) one of the college's residential plots in Nakuru was subdivided into several plots and irregularly allocated to the following private developers:

- James Mokaya Osano -Nakuru/Mun/Block 12/264
- Joseph K. Chepkitany -Nakuru/Mun/Block 12/263
- John Chepkien -Nakuru/Mun/Block 12/262
- Unknown -Nakuru/Mun/Block 12/263;

and that the title deeds have been cancelled and reallocated to the Treasury as a trustee of the Ministry of Health's property.

(vi) Garissa MTC had been allocated approximately 7.46 hectares of land by the DDC in 1994 and later a portion of the land was irregularly allocated to private developers;

The Committee also heard that:

(i) between September and December 1999 the following six vehicles were towed/driven to Seven Plan Motors Garage allegedly for repairs:

- GK 248(I) - Mazda
- GK 702B - Mazda (Pick UP)
- GK T1830 - Nissan Cab Star
- GK C304 - V.M. Kombi
- GK 902T - Leyland
- GK B750 - V.M. Kombi

(ii) inspection was done on all the vehicles and mechanical reports forwarded to Supplies Department to prepare the Local Service Orders (LSO);

(iii) the vehicles were towed/driven to the garage with the full knowledge of the then Principal of the College;

(iv) the vehicles could not be traced since the proprietor of the garage Mr. John Chemonges had relocated to an unknown place;

(v) the vehicles could have been sold off vide Kenya Gazette No. 628 of October 1999, which the Management of the College admitted had no knowledge of;

(vi) the College is still pursuing its parent Ministry to surrender log books for the 39 grounded vehicles which were inherited from the Ministry and of which 26 are boarded.

The Committee was gravely concerned that:

(a) the management of the College failed to retrieve the vehicles from the garage or take appropriate action to the point that the vehicles had to be gazetted for disposal; and

(b) the successive managements of the College would appear to be inept in obtaining logbooks for the vehicles inherited from the Ministry of Health.

The Committee also observed with concern that the Commissioner of Lands without recourse to the college and contrary to the recommendations of the Mutito Ad hoc Commission of 1994 which dealt with the subdivision of the Kenyatta National Hospital Complex, allocated land reserved and/or allocated to the College to private developers.

The Committee noted that, arising from its recommendation in its 12th Report, the allotees in respect of the Nakuru/Mun/Block/12/262,263,264 and 283, which was allocated to the Treasury as trustee of the Ministry of Health, have since been evicted.

The Committee recommends that:-

(i) the then Chief Executive of the College, Mr. William K. Boit be surcharged by Inspector General of State Corporations for failing to take the necessary action to have the vehicles retrieved; and

(ii) the Ministry of Health surrenders logbooks for the 39 vehicles to the College.

The Committee further recommends that:

(i) the Director of Kenya Medial Training College liaises with the Commissioner of Lands to ensure that the allocation of the following pieces of land to private developers are cancelled:

LR No. Plot No.	Letter of Allotment No. (all dated 22nd August 2000)	Lands File No.	Name of Allottee and Box No.	Title Status
209/14274 (Plot H)	185788/29	-	Hope Concepts & Spirit Ltd, Box 2354 Nairobi Partners: Mr. George Augustine Arwa and Philomena Ajok Oruro and John Henry Oruro	Title No. LR 91420 issued
209/14276 (Plot F)	-	226079	Unknown	-
209/14278 (Plot G)	185788/28	-	Tea Zone Properties and Saiwa View Inv. Ltd. Box 62810 Nairobi: Directors are Mr. Chris Owanda and Mr. Patrick Osero	Title issued
LR No. Plot No.	Letter of Allotment No. (all dated 22nd August 2000)	Lands File No.	Name of Allottee and Box No.	Title Status
209/14269 (Plot A)	185788/24	226080	Westlink Associates Box 79222, Nairobi	Title No. L.R 90812 Issued
209/14270 (Plot B)	185788/25	223517	Robert Mutiso Leli, Box 28587 Nairobi	-
209/14271 (Plot C)	-	-	Unknown	-
209/14272 (Plot D)	-	228092	Unknown	-

209/14273 (Plot K)	185788/30	-	MicroTech Accessories Ltd, Box 62360 Nairobi	-
209/14274 (Plot H)	185788/29	-	Hope Concepts & Spirit Ltd, Box 2354 Nairobi Partners: Mr. George Augustine Arwa and Philomena Ajok Oruro and John Henry Oruro	Title No. LR 91420 issued
209/14275	185788/31	-	Philip Kangwaini & Angela Mwaniko, Box 52006, Nairobi	-
209/14276 (Plot F)	-	226079	Unknown	-
209/14278 (Plot G)	185788/28	-	Tea Zone Properties and Saiwa View Inv. Ltd. Box 62810 Nairobi: Directors- Mr. Chris Owanda and Mr. Patrick Osero	-

(ii) the Commissioner of lands should recall title deed No.IR.77918 in respect of plot LR No. 1160/13, Karen, which was irregularly allocated to the National Museums of Kenya to facilitate the resurveying of the land and subsequent re-grant of the proper acreage to the college, and that the National Museums of Kenya is required to surrender the title deed to facilitate the resolving of the dispute; and

(iii) the Chief Executive ensures that the titles registered under the Treasury are transferred to the Kenya Medical Training College.

2. STALLED PROJECT AT KABARNET M.T.C.

In February 1991, the College inherited construction of Kabarnet MTC from the Ministry of Health, a project which was awarded to a contractor at a price of Kshs.71,885,579. The relevant contract documents show that no signed contract existed between the contractor and Government and that the unsigned contact was later

varied to Kshs.85,209,686. The construction work subsequently stalled after payment of Kshs.60,387,676 or 71% of the varied contract sum of Kshs.85,209,686 when the actual work done was only 33% completed. It was not understood why the Ministry made payments against a contract that was never signed and at the same time overpaid on the work completed. KMTC however maintains that the project has not been formally handed over to it by the Ministry.

The Committee heard the evidence given by the Chief Executive that in February 1991, the College inherited construction of Kabarnet MTC from the Ministry of Health, a project which was awarded to a contractor at a price of Kshs. 71,885,579 and later varied to Kshs. 85,209,686.

The Committee further heard that:-

(i) **the contractor, M/s Chebon Contractor of P.O Box 125, Kabarnet, abandoned the site in late 1995 after being paid Kshs.60,387,676 representing 71% of the varied contract sum while the only work done was 33% of the project;**

(ii) **KMTC was not involved in the management of the project. All the documentations on awarding of the contract, payments and supervisions was being handled by both the Ministry of Public Works and the Ministry of Health; and**

(iii) **efforts of KMTC to have the project completed and/or handed over on an "as-is" basis have been unsuccessful.**

The Committee was concerned that the parent Ministry has failed to facilitate completion and handing over of the project despite the fact that huge public funds have been sunk on the dormant project.

The Committee recommends that the Permanent Secretaries, Ministries of Health and Roads & Public Works and the KMTC Board ensures that: -

(i) **the works done at the Kabarnet MTC project are determined and the remaining part re-tendered as a new completion contract with KMTC as the client. The project should be finalized on an "as-is" basis and be discharged;**

(ii) **the project is completed in practicable phases to be incorporated in the KMTC's budget commencing 2008/2009; and**

(iii) **the existing contract is duly terminated and the remaining works completed soonest.**

The Committee further recommends that: -

(i) **the Permanent Secretary, Ministry of Health furnishes the Ministry of Roads and Public Works and KMTC with all documents relating to the project including and not limited to payment certificates and vouchers, details of amounts honoured per the certificate and details of the payees; and**

(ii) **the Director, Kenya Anti-Corruption Commission institutes investigations on the manner in which the Kabarnet MTC project was awarded, executed, contract fee varied and excessive payments made with a view to taking appropriate action.**

3. CASH AND BANK BALANCES

The College's Cash and Bank Balances figure of Kshs.120,703,960.80 as at 30th June 1999 comprises balances extracted from various bank statements as at 30th June 1999 instead of cash book balances from the individual constituent colleges. Further, no bank reconciliation statements from the Headquarters and its constituent colleges were produced for audit review. In the absence of bank reconciliation statements, the accuracy of the Cash and Bank balances as at 30th 1999 cannot be confirmed.

The Committee heard evidence given by the Chief Executive that the College's Cash and Bank Balances figure of Kshs. 120,703,960.80 comprised balances extracted from various bank balances as at 30th June 1999 instead of cash book balances from the individual constituent Colleges and which had not been reconciled. The Committee was informed that the necessary reconciliation on the respective entries have since been done and verified by the Controller and Auditor General thereby resolving the audit query.

4. CREDITORS AND ACCRUALS

The Creditors and Accruals balance of Kshs.16,444,380 as at 30th June 1999 includes Kshs.12,505,338 from constituent colleges whose supporting documents were not seen. In the absence of the supporting documents, it was not possible to ascertain and confirm the correctness of the Creditors and Accrual's figure of Kshs.16,444,380 as at 30th June 1999.

The Committee heard evidence given by the Chief Executive that all supporting documents in respect of Creditors and Accruals balance of Kshs. 12,505,338 from Constituent Colleges have since been availed to Controller and Auditor General and verified.

The Committee noted that the financial statement related to the College when it was a department of the Ministry of Health.

The Committee recommends that the Director of the College ensures that all supporting documents connected with the financial statements of the College are availed to the Controller and Auditor General as and when required.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA MEDICAL TRAINING COLLEGE FOR THE YEAR ENDED 30TH JUNE 2000

1. FIXED ASSETS

As was previously reported, the College's Fixed Assets figure of Kshs.4,056,288,000 still continue to include grounded vehicles valued at Kshs.5,355,000 which have been completely vandalized. The fixed assets are therefore overstated to the extent of the value of the vehicles. Included in the assets is also the value of the land for Headquarters and constituent colleges amounting to Kshs.970,380,000 whose title deeds have not been acquired to date. In addition, two buildings have been erected on the land at South Mill Mess by a Private Developer making the ownership of the land doubtful. In the absence of the title deeds, the ownership and security of the college's land could not, therefore, be confirmed.

The Committee heard the evidence given by the Chief Executive that the Balance Sheet assets figure of Kshs.875,311,400 excluded undetermined value of land and buildings at the College's Headquarters, South Hill Mess, Nairobi and all urban constituent colleges, which had not been valued at the time of the audit.

The Committee further heard that the valuation has since been undertaken and the correct value stood at Kshs.4,149,782,810 as at November 2000.

The Committee also heard that:

(i) the land LR.No.209/14269 - 78 (South Hill Mess) which was originally reserved for the College and allocated to it vide the allotment letter No. 248093/V/45 dated December 18th 1996 and which had staff houses occupied by four families was later subdivided and allocated to the following private developers based on a spurious part Development Plan No. 42/15/94/13 of 18th September 1994: -

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	(Plot C)				Cancelled
4.	209/14272 (Plot D)	-	228092	Unknown	Allocation Cancelled
5.	209/14273 (Plot K)	185788/30	-	MicroTech Accessories Ltd, Box 62360 Nairobi	Allocation Cancelled
6.	209/14274 (Plot H)	185788/29	-	Hope Concepts & Spirit Ltd, Box 2354 Nairobi Partners: Mr. George Augustine Arwa and Philomena Ajok Oruro and John Henry Oruro	Title No. LR 91420 issued
7.	209/14275	185788/31	-	Philip Kangwaini & Angela Mwaniko, Box 52006, Nairobi	Allocation Cancelled
8.	209/14276 (Plot F)	-	226079	Unknown	
9.	209/14277 (Plot E)	185788/27	226082	Cabin Crew Investments Ltd Box 42498 Nairobi	Title No. LR 85965: Allocation Cancelled
10.	209/14278 (Plot G)	185788/28	-	Tea Zone Properties and Saiwa View Inv. Ltd. Box 62810 Nairobi: Directors are Mr. Chris Owanda and Mr. Patrick Osero	Title issued

(ii) land LR No. 209/14270 belonging to the College was irregularly allocated to Robert Mutiso Lelli vide civil case No. Nairobi HCCC No.1354/98 of 1988, allegedly as an alternative piece of land since the piece of land which had been earlier allocated to him in Mombasa was submerged in the Sea;

(iii) land LR No. 1160/13 and LR No. 1160/26 which had been allocated to the college vide letter of allotment No. 33408/V/76 of 11th

February, 1998 was irregularly allocated to the National Museums of Kenya;

(iv) Machakos Municipal Council had sued the College in respect of Land LR No. 11597 (Machakos - Kenya Israeli Campus) which had been reserved for the college vide Letter of allotment No. 73029/54 of 12th March 1993 and further that the title deed is in the name of Masaku County Council;

(v) one of the college's residential plots in Nakuru was subdivided into several plots and irregularly allocated to the following private developers:

- James Mokaya Osano - Nakuru/Mun/Block 12/264
- Joseph K. Chepkitany - Nakuru/Mun/Block 12/263
- John Chepkien - Nakuru/Mun/Block 12/262
- Unknown - Nakuru/Mun/Block 12/263;

and that the title deeds have been cancelled and reallocated to the Treasury as a trustee of the Ministry of Health's property.

(vi) Garissa MTC had been allocated approximately 7.46 hectares of land by the DDC in 1994 and later a portion of the land was irregularly allocated to private developers.

The Committee observed with concern that the Commissioner of Lands without recourse to the college and contrary to the recommendations of the Mutito Ad hoc Commission of 1994 which dealt with the subdivision of the Kenyatta National Hospital Complex, allocated land reserved and/or allocated to the College to private developers.

The Committee noted that, arising from its recommendation in its 12th Report, the allotees in respect of the Nakuru/Mun/Block/12/262,263,264 and 283, which was allocated to the Treasury as trustee of the Ministry of Health, have since be evicted.

The Committee recommends that:

(i) the Director of Kenya Medial Training College should liaise with the Commissioner of Lands to ensure that the allocation of the following pieces of land to private developers are cancelled:

LR No. Plot No.	Letter of Allotment No. (all dated 22nd August 2000)	Lands File No.	Name of Allottee and Box No.	Title Status

209/14274 (Plot H)	185788/29	-	Hope Concepts & Spirit Ltd, Box 2354 Nairobi Partners: Mr. George Augustine Arwa and Philomena Ajok Oruro and John Henry Oruro	Title No. LR 91420 issued
209/14276 (Plot F)	-	226079	Unknown	-
209/14278 (Plot G)	185788/28	-	Tea Zone Properties and Saiwa View Inv. Ltd. Box 62810 Nairobi: Directors are Mr. Chris Owanda and Mr. Patrick Osero	Title issued
LR No. Plot No.	Letter of Allotment No. (all dated 22nd August 2000)	Lands File No.	Name of Allottee and Box No.	Title Status
209/14269 (Plot A)	185788/24	226080	Westlink Associates Box 79222, Nairobi	Title No. L.R 90812 Issued
209/14270 (Plot B)	185788/25	223517	Robert Mutiso Leli, Box 28587 Nairobi	-
209/14271 (Plot C)	-	-	Unknown	-
209/14272 (Plot D)	-	228092	Unknown	-
209/14273 (Plot K)	185788/30	-	MicroTech Accessories Ltd, Box 62360 Nairobi	-
209/14274 (Plot H)	185788/29	-	Hope Concepts & Spirit Ltd, Box 2354 Nairobi Partners: Mr. George Augustine Arwa and Philomena Ajok Oruro and John Henry Oruro	Title No. LR 91420 issued

209/14275	185788/31	-	Philip Kangwaini & Angela Mwaniko, Box 52006, Nairobi	-
209/14276 (Plot F)	-	226079	Unknown	-
209/14278 (Plot G)	185788/28	-	Tea Zone Properties and Saiwa View Inv. Ltd. Box 62810 Nairobi: Directors- Mr. Chris Owanda and Mr. Patrick Osero	-

(ii) the Commissioner of Lands should recall title deed No.IR.77918 in respect of plot LR No. 1160/13, Karen, which was irregularly allocated to the National Museums of Kenya to facilitate the resurveying of the land and subsequent re-grant of the proper acreage to the college, and that the National Museums of Kenya is required to surrender the title deed to facilitate the resolving of the dispute; and

(iii) the Chief Executive ensures that the titles registered under the Treasury are transferred to the Kenya Medical Training College.

2. DEBTORS

The debtors balance of Kshs.63,585,551.70 as at 30th June 2000 includes Kshs.8,409,600 and Kshs.21,831,155 owed to the college by University of Nairobi and Kenyatta National Hospital respectively. No agreements were however seen regarding the college's hostels rental charges and/or sponsorship of the students to the college by University of Nairobi and Kenyatta National Hospital respectively. Included in the Debtors figure is also Kshs.19,812,181, being outstanding grants from the Ministry of Health even though the Ministry does not accrue unremitted grants. The recoverability of these debts, including the grants, is therefore doubtful. Accordingly, the accuracy of Debtors figure reflected in these accounts could not be confirmed.

The Committee heard the evidence given by the Chief Executive that the accounts of the College for the year under review showed amounts of Kshs. 8,409,600 and Kshs. 21,831,155 owed to the College by University of Nairobi and Kenyatta National Hospital, respectively.

The Committee further heard that the amount of Kshs. 19,812,181 which was outstanding grant from the parent Ministry has since been written off.

The Committee further heard that:-

(i) negotiations were underway between KMTC and Kenyatta National Hospital (KNH) to offset the debt of Kshs. 21,831,155 owed by the latter against what KMTC owes KNH for provision utilities; and

(ii) University of Nairobi has since paid part of the boarding fees arrears of Kshs. 5,395,050 leaving a balance of Kshs. 25,623,190 as at 30th June 2006. However, the College is considering asking the University to vacate the hostels for use by the College's students.

The Committee noted that the boarding charges at MTC's KNH College, which were agreed by the Ministry of Health, the Treasury and the University of Nairobi in November 1990, are unrealistic and do not factor the maintenance cost that is borne by KMTC.

The Committee recommends that:-

(i) the Chief Executive ensures that the debt that is owed by KNH is settled; and

(ii) a committee be formed under the chairmanship of the Permanent Secretary, Ministry of Health and comprising (and not limited to), representative of the Ministry of Finance, the Office of the President and the Chief Executives of KMTC and the University of Nairobi (UoN) to consider and review the charges at KMTC's Hostels at KNH. The committee should also resolve the stalemate between KMTC and UoN on repossession of occupancy of the hostels. This should be concluded by December 31st, 2007.

3. CREDITORS

The balance sheet Creditors figure of Kshs.13,900,770 includes creditors totaling Kshs.9,097,378 for constituent colleges whose source documents were not produced for audit review. In the absence of such source documents, it has not been possible to ascertain the correctness of the Creditors balance of Kshs.13,900,770 as at 30th June 2000.

The Committee heard evidence given by the Chief Executive that all supporting documents in respect of Creditors and Accruals balance of Kshs. 9,097,378 from Constituent Colleges have since been availed to Controller and Auditor General and verified.

The Committee noted that the financial statement related to the College when it was a department of the Ministry of Health.

The Committee recommends that the Director of the College ensures that all supporting documents relating to financial statements of the College are availed to the Controller and Auditor General as and when required.

4. PROCUREMENT OF GOODS AND SERVICES

During the year under review, the College renovated Murang'a MTC at a cost of Kshs.5,873,440, constructed a fence around the College at Kshs.1,345,000 and bought beds at Kshs.1,034,000. The procurement of these goods and services were done without following normal procurement procedures. Under such circumstances, it has not been possible to ascertain that the College obtained best value for money in these transactions.

The Committee heard evidence given by the Chief Executive that during the year under review, without following proper procurement procedures, the College renovated Murang'a MTC at a cost of Kshs. 5,873,440, constructed a fence around the College at Kshs. 1,345,000 and bought beds worth Kshs. 1,034,000.

The Committee was informed that:-

(i) procurement of Murang'a MTC was under taken during the period when the college was a department of the Ministry of Health. The procurement was made through quotation as opposed to the requisite open tenders. Part of the construction of the fence was done through quotation at a total cost of Kshs.1,345,000 which was within the allowable quotation ceiling; and

(ii) purchase of beds at the cost of Kshs.1,034,000 was done through quotations as well.

The Committee expressed displeasure on the manner in which the procurement on renovation of Muranga MTC was undertaken.

The Committee recommends that the Chief Executive ensures that procurement of goods and services at the Authority is done in accordance with the Public Procurement Disposal Act, 2005.

5. CASH AND BANK BALANCE

The College's cash and bank balances figure of Kshs.64,900,310 comprises balances extracted from various bank statements as at 30 June 2000 instead of reconciled cash book and balances from the individual college. Further, no bank reconciliation statements from the Headquarters and its constituent colleges were produced for audit review. In the absence of bank reconciliation statements, it was not possible to confirm the accuracy of the cash and bank balances figure of Kshs.64,900,310.

The Committee heard evidence given by the Chief Executive that the College's Cash and Bank Balances figure of Kshs. 64,900,310 comprised balances extracted from various bank balances as at 30th June 2000 instead of cash book balances from the individual constituent Colleges and which had not been reconciled.

The Committee was informed necessary reconciliation on the respective entries have since been undertaken and verified by the Controller and Auditor General thereby resolving the audit query.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF INVESTMENT PROMOTION CENTRE FOR THE YEAR ENDED 30 JUNE 1999

1. DEBTORS

The Debtors figure of Kshs.4,772,782 as at 30 June 1999 includes Salary Advances, Imprests and Car Loans totaling Kshs.2,842,488 outstanding against a former Chief Executive and a former employee of the Centre. Apart from the fact that it was not indicated how and under what circumstances these officers were advance the amounts, the Centre has not explained how it intends to recover the amounts from the former Chief Executive and the former employee.

The Committee heard evidence given by the Chief Executive that the former Executive Chairman of the Centre Dr. Joseph K. Ng'ok had been advanced salary, imprests and car loans totaling Kshs. 2,842,488 and that he was still owing the Centre at the time of his dismissal. The Committee further heard that efforts of the Centre to recover the amount owed by the then Executive Chairman have been unsuccessful since the said Chief Executive has sued the Centre and the parent Ministry for wrongful dismissal.

Another former employee who owed the Centre has since been remitting payments to settle the debt.

The Committee recommends that the Chief Executive pursues the court case filed by Dr J. Ng'ok and ensures that the interests of the Centre are safeguarded.

2. IRREGULAR PAYMENTS TO A FORMER EXECUTIVE CHAIRMAN

The Centre paid a former Executive Chairman leave allowance of Kshs.67,312 computed at 6% of his annual basic salary covering a period of two years from 1st January 1997 to 31st December, 1998. The Centre's Staff Rules and Regulations however only provide for an officer to be refunded the actual cost of traveling expenses to and from the officer's home subject to production of receipts in support of such travel. Further, the former Executive Chairman was paid rent totaling to Kshs.75,000 at the rate of Kshs.25,000 per month for the period between 1st October, 1998 to 31st December 1998 for a house the officer leased to the Centre for his occupation even though regulations prohibits State Corporation employees including the Chief Executive from leasing their houses to State Corporations that they serve in for their own occupation.

The Committee heard evidence given by the Chief Executive that the Centre irregularly paid the former Chief Executive, Dr. J. Ng'ok leave allowance of Kshs. 67,312 computed at 6% of his annual basic salary covering a period of two years from 1st January 1997 to 31st December 1998. The Committee further heard

that Dr. J. Ng'ok was irregularly paid rent totaling Kshs. 75,000 for a house he leased to the Centre for his occupation contrary to State Corporations Act (Cap 446).

The Committee further heard that efforts by the Centre to recover the amount owed by the then Executive Chairman have been unsuccessful since the said Executive Chairman has since sued the Centre and the parent Ministry for wrongful dismissal.

The Committee recommends that:-

(i) the Chief Executive closely pursues the court case filed by Dr J. Ng'ok and ensures that the interests of the Centre are safeguarded; and

(ii) the Inspector General (Corporations) institutes recovery proceedings on Dr. J. Ng'ok to recover the irregular leave allowance of Kshs. 67,312 paid to him and the irregular rent of Kshs. 75,000.

3. TRAINING EXPENSES

During the year ended 30th June 1999 the Centre paid a Management Consulting firm Kshs.224,450 which conducted training for the Centre's staff. Apart from the fact that the firm was owned by a member of the Board, which therefore raises the question of conflict of interest, it was not clear how the training needs were established particularly in view of the fact that some subordinate and other junior staff were sent for a management course for which they were unsuitable. Further, evidence was not produced to confirm that the expenditure was approved by the Board. In the circumstances, it was not possible to confirm the propriety of the expenditure of Kshs.224,450 incurred by the Centre in training its staff.

The Committee heard evidence given by the Chief Executive that during the year under review the Centre's Executive Chairman irregularly and without approval of the Board contracted M/s Zenith Management Consultancy to provide management consulting at Kshs.224, 450.

The Committee was informed that the Consultancy firm was owned by a Mr. Clement Kanyangoda who was a member of the Centre's Board and that he had not declared his interest.

The Committee recommends that the expenditure of Kshs.224,450 irregularly expended on the management consultancy be recovered, by way of surcharge, on the then Executive Chairman of the Centre, Dr. Joseph Ng'ok.

4. BOARD OF DIRECTORS MEETINGS

During the year 1998/99 the Centre's Board of Directors held only two Board Meetings, contrary to Section 8(1)(a) of the State Corporations Act (Cap 446) which requires the Board of every State Corporation to meet not less than four times in every financial year and paid a total of Kshs.240,000 by way of sitting allowances. Consequently, it was not possible to confirm that the business of the Investment Promotion Centre was conducted and transacted in accordance with the provisions of Section 5 of the Investment Promotion Centre Act (Cap 485).

The Committee heard evidence of the Chief Executive that, contrary to Section 8(1)(a) of the State Corporations Act (Cap 446) the Centre's Board of Directors held only two Board meetings during the year 1998/1999.

The Committee recommends that the Centre's Board (now Kenya Investments Authority) ensures that Board meetings are held in accordance with the law.

5. IRREGULAR SALARY ADJUSTMENT

During the year ended 30 June, 1999 the Centre adjusted salaries upwards without the approval of the Board of Directors. Although the Ministry of Finance advised the Centre that it was upgraded to Category A of the State Corporations, evidence was not seen to confirm that the salary structure was approved by Government. Consequently, it was not possible to confirm that the personal emoluments expenditure of Kshs.13,419,349 included in the staff cost expenditure of Kshs.21,619,898 shown in the Income and Expenditure Account was properly authorized.

The Committee heard evidence given by the Chef Executive that during the year under review the Centre adjusted staff salaries upwards without the approval of the Board. The Committee further heard that this was done on strength of a letter Ref/O.P.6/58A/VI by the Permanent Secretary, Secretary to the Cabinet and the Head of Public Service, which put the Centre in Category 'A' of State Corporations.

The Committee was informed that the Centre's Board has since approved the salary adjustments, which were intended to attract and retain qualified professionals.

The Committee observed that in absence of written approval by the parent Ministry, Ministry of Finance and the State Corporations Advisory Committee, the personal emoluments expenditure of Kshs. 13,419,349 necessitated by the salary adjustment remains an improper charge on public funds.

The Committee recommends that the Chief Executive seeks post facto authority to regularize the salary adjustments and the personal emoluments expenditure necessitated by the said adjustments.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF INVESTMENTS PROMOTION CENTRE FOR THE YEAR ENDED 30 JUNE 2000.

1. FIXED ASSETS

The Centre did not maintain an up to date Fixed Assets Register and a computer donated by UNCTAD to the Centre had not been recorded in the Assets Register. Further, it was noted that some microcomputers were missing from the Centre's premises. It was explained that the machines were taken to a dealer's workshop reportedly to be repaired and valued so that they could be disposed off since they were not 2000 compliant. It was not clear as to why these machines had to be carried away instead of being assessed in the premises of the Centre. The physical verification of the computers could not be confirmed and their existence is, therefore, doubtful. Consequently, the figure for Fixed Assets in the Accounts of Kshs.5,770,976 could not be confirmed as correct.

The Committee heard evidence given by the Chief Executive that during the year under review, the Centre did not maintain an up-to-date Fixed Assets Register. The Committee further heard that a computer, which had been donated by UNCTAD and three other microcomputers which had been purchased between 1987 and 1991 at a total cost of Kshs. 520,910 were taken to M/s Seet Distributors for repair. The computers were never repaired as the user department thereafter declared them obsolete and were therefore disposed off in the year 2001/2002 and scrap value of Kshs. 7,000 realized.

The Committee was also informed that the Authority has since updated its fixed assets register.

The Committee observed that the procedure employed by the Centre to dispose of the obsolete computers was irregular since the purchase price was determined by the buyer and approved by the then General Manager, Finance and Administration.

The Committee recommends that the Chief Executive ensures that disposal of goods and services at the Centre is done in accordance with the Public Procurement Disposal Act, 2005.

2. CREDITORS AND ACCRUALS

The Centre did not maintain a Creditor's Ledger. Consequently, it was not possible to confirm the correctness of outstanding creditor's and accruals figure of Kshs.8,182,003. Further, it was noted that the Centre did not remit Pension Contributions amounting to Kshs.7,133,503 as at 30 June 2000 to an Insurance Company. In the circumstances, therefore, it was not possible to confirm the correctness of the creditors and accruals

figure of Kshs.8,182,003 as at 30 June 2000, or establish how soon the outstanding pension contributions will be established.

The Committee heard evidence given by the Chief Executive that during the year under review the Centre did not maintain a Creditors Ledger and that it did not remit pension contribution amounting to Kshs.7,133,503 to the Insurance Company as its contributions for employees' terminal benefits. The Committee noted that the Centre (Kenya Investment Authority) has since put in measures to reduce the amount owing for the employees' pension scheme and now remits the Pension Funds to CFC Life Insurance Company.

The Committee noted with concern that as at 28 September, 2006 the Centre had Kshs.7.5 Million as outstanding pension contributions, excluding interest.

The Committee recommends that the Chief Executive :-

(i) **ensures that the Centre maintains up to date Creditor's ledger and records; and**

(ii) **ensures that the Centre meets its Staff Pension Scheme's financial obligations as and when they fall due.**

The Committee also recommends that the Government, through the Ministry of Trade, funds the Centre to enable it repay the outstanding pension contributions.

3. DEBTORS

The Sundry Debtors and Deposits balance of Kshs.2,963,736 as at 30 June 2000 includes Salary Advances, Imprests and Car Loans to staff of Kshs.2,958,736 of which Kshs.696,468 is owed by a former employee. It was not indicated under what circumstances the salary advances were made to the staff of the Centre.

The Committee heard evidence given by the Chief Executive that the former Executive Chairman Dr J. Ng'ok had been advanced salary, imprest and car loan totalling Kshs. 2,842,488 and that he was still owing the Centre at the time of his dismissal. The Committee further heard that efforts of the Centre to recover the amount owed by the then Executive Chairman have been unsuccessful since the said Chief Executive has since sued the Centre and the parent Ministry for wrongful dismissal.

The Committee was informed that another former employee has since been making regular payments to the Centre to settle the debt of Kshs. 696,468.

The Committee recommends that the Chief Executive closely follows the court case filed by Dr J. Ng'ok and ensures that the interests of the Centre are safeguarded.

4. TRAINING EXPENSES

The Centre incurred expenditure of Kshs.1,459,957 on training during the year 1999/2000 out of which a total of Kshs.1,004,500 was paid to a Management Consultancy firm owned by a member of the Board of Investment Promotion Centre. There was no indication how the Consultancy firm or the training needs were identified. Further, there was no evidence seen to show that the Board of Directors approved the expenditure. Under the circumstances, the propriety of the expenditure incurred on training of Kshs.1,49,957 could not be confirmed.

The Committee heard the evidence given by the Chief Executive that the then Executive Chairman irregularly, and without approval of the Board, contracted M/s Zenith Management Consultancy to provide management consulting at a cost of Kshs.1,459,957.

The Committee was informed that the Consultancy firm was owned by Mr. Clement Kanyangoda who was a member of the Centre's Board and that he had not declared his interest on the firm.

The Committee recommends that the expenditure of Kshs. 1,459,957 irregularly expended on the management consultancy be recovered, by way of surcharge, on the then Executive Chairman of the Centre, Mr. Joseph Ng'ok.

5. INSURANCE OF ASSETS

The Centre paid premiums of Kshs.75,757.85 to an Insurance Broker without being issued with a policy or there being a signed contract between the Centre and the Insurance Broker. The premiums were paid against a proclamation letter from an Auctioneers Company who had attached the Centre's property. The Investment Promotion Centre was apparently sued for unpaid premiums but the Centre did not appear in court to defend the case the court therefore awarded to the broker an attachment order on the Centre's property. In the absence of a policy document binding the Centre and the Insurance Broker, it was not clear how the case ended up in court, and why the Centre admitted liability to pay insurance premiums without clear terms of contract or how the Insurance Company was expected to honour any claims if they arose without a binding insurance policy document.

The Committee heard evidence given by the Chief Executive that during the year under review the Centre paid an amount of Kshs.75,757 to M/s. New Day Insurance Brokers as part payment of a policy that was intended to provide cover on the Centre's assets. However, the Broker did not provide the policy

document yet he was seeking settlement for the full amount of the premium. The Centre sought the intervention of the Commissioner of Insurance while the Insurance Broker sued for the unpaid premiums but did not serve the Centre with notice to appear in court. The Centre appealed against the judgment and a ruling was entered in its favour and M/s New Day Insurance Brokers have since refunded the payment thereby resolving the Audit query.

6. RENOVATION OF OFFICES AFTER THE BOMB BLAST

A contract for Kshs.1,714,500 which was revised upwards to kshs.2,200,830 without explanation was awarded to a contractor for renovations of the offices. Specific companies were asked to send in quotations for consideration but tender documents showing the specific work that was to be done, were not prepared. The firms which sent in quotations, therefore, quoted for different jobs due to lack of proper job specifications. The Centre awarded the contract to the 5th lowest bidder without explanation and payments were made before the work was done, and therefore without any certification for the work done. Consequently, the propriety of the expenditure incurred on renovations including minor alterations could not be confirmed.

The Committee heard evidence given by the Chief Executive that following the 1998 bomb blast, the Centre irregularly called for quotations from specific firms for repair of its offices, which were extensively damaged. The contract was awarded to M/s Lelsiwon Ltd owned by one Hon. Raphael Kitur at a contract sum of Kshs. 1,714,500, which was later revised upwards to Kshs. 2,684,514.

The Committee was informed that due to the irregular manner in which the contract was awarded, the matter was reported to the Director of Criminal Investigations Department (CID) who, on 15th January 2001, carried all documents relating to the contract for investigation. The investigations are yet to be concluded.

The Committee abhorred the manner in which the contractor, M/s Lelsiwon Ltd was identified to carry out the rehabilitation and advance payment made to the firm prior to commencement of works.

The Committee observed with concern that it has taken inordinately long for the Director of CID to conclude and/or report progress on the outcome of the investigation, if any, on the above mentioned contract while they continue holding the original documents relating to the contract.

The Committee recommends that:-

(i) as a matter of urgency, the Director of Criminal Investigations Department expedites investigations on the circumstances and the

manner in which the contract for repair of the Centre's offices was awarded and thereafter contract fee varied by over 56 %; and

(ii) the Chief Executive ensures that procurement of goods and services at the Centre is done in accordance with the Public Procurement Disposal Act, 2005.

7. GRATUITY AND PENSION COSTS

Included in the Gratuity and Pensions payment of Kshs.4,522,009 is Kshs.89,024 paid to a former Executive Chairman being reimbursement of an amount incurred by him to pay telephone expenses from May 1993 to September 1995. It was noted that this amount had not been accrued anywhere in the records of the Centre and there was also no evidence to show that the amount of Kshs.86,024 was held in outstanding bills. The propriety of the expenditure of Kshs.86,024 incurred in respect of the former Executive Chairman could not therefore be confirmed.

The Committee heard evidence given by the Chief Executive that the Kshs.86,024 was paid to Mr. Martin P. Kunguru, a former Executive Chairman of the Centre, as reimbursement for telephone expenses paid by him between May 1993 and September 1995.

The Committee was informed that the amount had not accrued as pending bills since the former Chairman had paid the same on behalf of the Centre. The Kenya National Audit Office has since verified the payments and supporting documents thereby resolving the audit query.

8. LEASE AGREEMENT

The Centre leased a house on LR 1160613 at Karen Estate for the Executive Chairman. The lease agreement signed on 06 August 1999 between the Investment Promotion Centre and Kenya Reinsurance Corporation as the Landlord was backdated to 1 June 1996 at a rent of Kshs.70,000 per month. The Centre paid arrears of Kshs.2,520,000 for the period between 1 June 1996 and 1 June 1999. During the same period, the Executive Chairman of the Centre was living in the house and was also being paid owner occupier house allowance of Kshs.8,594 per month. However, the Centre did not provide the details of the house on which the owner occupier house allowance was assessed. The Executive Chairman continued to be paid owner-occupier up to January 2000 and the total owner occupier house allowance paid to the Executive Chairman between 1 June 1996 and January 2000 amounted toKshs.369,542. No justification has been provided as to why the Lease Agreement was backdated to cover the period when the Chairman was being paid owner occupier house allowance, and why he continued to receive the allowance up to January 2000.

The Committee heard evidence given by the Chief Executive that during the year under review, the then Executive Chairman was paid an owner occupier house allowance of Kshs. 8,594 per month. This was a contractual continuation of his benefit from his previous employer, the Ministry of Planning and National Development.

This allowance erroneously continued to be paid for another six months after a lease agreement had been signed with Kenya Re-Insurance Corporation in August 1999. The lease agreement was backdated to 1st June 1996, the Executive Chairman was requested to indicate how he intended to pay the owner occupier house allowance paid to him.

The Committee was informed that owing to the ongoing dispute about the former Chief Executive's Terminal benefits, the outstanding amount of Kshs.369,542 for the owner occupier house allowance is yet to be settled.

The Committee observed that in the absence of the Board Minutes approving the leasing of a house for the Executive Chairman, it is difficult to establish how the decision was arrived at.

The Committee recommends that:-

(i) the Chief Executive should include recovery of the amount of Kshs.369,542 in the undetermined counterclaim against Dr. Joseph Ng'ok; and

(ii) the Director, Kenya Anti-Corruption Commission institutes investigations on the manner in which the said payments of Kshs.369,542 were made with a view to taking appropriate action.

REPORT OF THE CONTROLLER & AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF INVESTMENT PROMOTION CENTRE FOR THE YEAR ENDED 30 JUNE 2001

1. FIXED ASSETS

The Centre did not maintain an up to date Fixed Assets Register. Further, a computer purchased in 1999 at a cost of Kshs.149,000 and a fax machine (Panasonic) purchased at a cost of Kshs.67,940 in the same year were not recorded in the fixed assets register. Consequently, it was not possible to confirm the completeness and accuracy of the fixed assets balance of Kshs.6,785,175 as at 30 June 2001.

The Committee heard evidence given by the Chief Executive that during the year under review the Centre did not maintain an up to date Fixed Assets Register.

The Committee was informed that the Centre (now KIA) has since re-organized its accounts department and put in place measures to ensure that all ledgers and other accounting documents pertaining to fixed assets are duly updated, thereby resolving the audit query.

2. LAND PURCHASE

The Centre spent a total of Kshs.552,040 on land purchase transactions without Board approval or a valuation report as follows:-

	Kshs
Advocates fees	298,540.00
Land Valuers	15,000.00
Ministry of Lands (valuation)	43,500,000
Another Land Valuer	115,000.00
Transfer & Legal Fees	180,000.00
Total	**552,040.00**

In spite of Kshs.552,040.00 having been spent on land transactions, no evidence was seen to confirm the existence and ownership of the land.

The Committee heard evidence given by the Chief Executive that without approval of the Board and the parent Ministry, the then Executive Chairman of the Centre Dr. J. Ng'ok authorized payments totaling Kshs.552,040 to meet advocate fees, land valuation fees and transfer & legal fees in respect of Land L.R. NO. 209/11134 Mara Road, Upper Hill, Nairobi which the Centre intended to purchase.

The Committee was informed that even though the above-mentioned preliminary payments were made towards acquisition of the land, the transaction was cancelled due to its impropriety.

The Committee recommends that, the Inspector General (Corporations) institutes recovery of Kshs.552,040 irregularly expended on Land L.R. No. 209/11134 Mara Road, Upper Hill, Nairobi from the then Executive Chairman of the Centre Dr. Joseph Ng'ok.

3. STAFF DEBTORS – KSHS.8,875,477

The staff debtor balance of Kshs.8,875,477 as at 30 June 2001 comprises outstanding car loans, salary advances and imprests. However, the imprest figure of Kshs.6,290,149.75 and the advances figure of Kshs.2,016,845.35 could not be confirmed owing to the incompleteness of the ledger records. Under the circumstances, therefore, it was not possible to confirm the correctness of the staff debtors figure of Kshs.8,875,477. Further, it has not been explained under what terms and conditions the Centre made the substantial salary advances to staff of the Centre and made no effort to recover them. Consequently, therefore, the recoverability of the debts by the Centre appears doubtful.

The Committee heard evidence given by the Chief Executive that the Centre did not maintain up to date ledger records to support the imprest figure of Kshs.6,290,149.75 and the staff advances figure of Kshs.2,016,845.35 included in the debtors balance of Kshs.8,875,477.

The Committee further heard that the former Executive Chairman Dr J. Ng'ok had been advanced salary, imprest and car loan totaling Kshs. 2,842,488 that he was still owing at the time of his dismissal.

The Committee was informed that efforts of the Centre to recover the amount owed by the then Executive Chairman have been unsuccessful since the said Chief Executive has since sued the Centre and the parent Ministry for wrongful dismissal.

The Committee recommends that:-

(i) the Chief Executive ensures that the Centre maintains updated ledgers in support of all entries in its books; and

(ii) the Chief Executive pursues the court case filed by Dr J. Ng'ok and ensures that the interests of the Centre are safeguarded by way of including the amount of Kshs. 2,842,488 in the counterclaim against Dr. Joseph Ng'ok.

4. CREDITORS

The Centre did not maintain a creditors ledger. Further the Centre did not also remit deductions to a Life Insurance Company totaling to Kshs.6,656,507.80 for the years 1998/99 and 1999/2000 which remained outstanding as at 30 June 2001. In the absence of the creditors ledger, it was not, therefore, possible to confirm the correctness of the creditors figure of Kshs.6,937,961 as at 30 June 2001.

The Committee heard evidence given by the Chief Executive that during the year under review the Centre did not maintain a Creditors Ledger and that it did not remit pension contribution amounting to Kshs.7,133,503 to the Insurance Company as its contributions for employees' terminal benefits. The Committee noted that the Centre (Kenya Investment Authority) has since put in measures to reduce the amount owing for the employees' pension scheme and now remits the Pension Funds to CFC Life Insurance Company.

The Committee noted with concern that as at 28 September, 2006 the Centre had Kshs.7.5 Million as outstanding pension contributions, excluding interest.

The Committee recommends that the Chief Executive:-

(i) **ensures that the Centre maintains up to date Creditor's ledger and records; and**

(ii) **ensures that the Centre meets its Staff Pension Scheme's financial obligations as and when they fall due.**

The Committee also recommends that the Government, through the Ministry of Trade, funds the Centre to enable it repay the outstanding pension contributions.

5. EXTERNAL TRAVEL BY THE EXECUTIVE CHAIRMAN

The Executive Chairman of the Centre spent Kshs.130,400 being external travel imprest to Lusaka, Zambia and another Kshs.233,739 to Arusha, Tanzania but without evidence to confirm that the two trips had been cleared by the Government as required by OP Circular No. OP.5/33A of 13 July 2000. In the circumstances, therefore, it was not possible to confirm the propriety of expenditure totaling Kshs.364,139 incurred on external traveling by the Executive Chairman or even whether such expenditure should be a charge against public funds.

The Committee heard evidence given by the Chief Executive that during the year under review the then Executive Chairman of the Centre travelled to various countries on official duties and that official expenditure on such travels was not subject to clearance by the government.

The Committee recommends that the Chief Executive includes the irregular expenditure of Kshs. 364,139 in the counterclaim against Dr. Joseph Ng'ok.

6. TRAINING EXPENSES

The Centre incurred expenditure of Kshs.2,918,140 on training during the year 2000/2001 out of which Kshs.925,500 was paid to a management consultancy firm owned by a member of the Board of Investment Promotion Centre, thereby raising the question of conflict of interest. It was further noted that another firm was paid Kshs.496,000 for training the staff of the Centre on basic security. There was however, no indication of how the two firms were identified or training needs established. Further, there was also no evidence produced to show that the Board of Directors approved the expenditure. Under the circumstances therefore, the propriety of the expenditure incurred on training of Kshs.2,918,140 could not be confirmed.

The Committee heard evidence given by the Chief Executive that during the year under review the Centre's Executive Chairman irregularly and without approval of the Board contracted M/s Zenith Management Consultancy to provide management consulting at Kshs.925,500. The Committee also heard that another firm was single-sourced to provide basic security training for the Centres' staff at a total cost of Kshs.496,000 without approval of the Board.

The Committee was informed that the Management Consultancy firm was owned by Mr. Clement Kanyangoda who was a member of the Centre's Board and that he had not declared his interest on the firm.

The Committee recommends that:-

(i) **the expenditure of Kshs.925,500 irregularly expended on the management consultancy contract be recovered from then Executive Chairman of the Centre; and**

(ii) **the Chief Executive ensures that procurement of goods and services at the Authority is done in accordance with the Public Procurement Disposal Act, 2005.**

7. TERMS AND CONDITIONS OF SERVICE

During the year under review, the Centre operated on unapproved terms and conditions of service contrary to the provisions of Section 6 of the Investment Promotion Centre Act (Cap 485) which requires that such terms be approved by the Government. Further, the Centre disregarded DPM circular number 4/2000 Ref: DPM38/1/1A(14) of 31 August 2000 on subsistence allowance payable to officers while traveling on duty outside Kenya with effect from 01 September 2000, and instead came up with its own higher rates, resulting in expenditure of Kshs.4,293,462 in excess of what was

recommended by the Directorate of Personnel Management. The Centre also implemented its per diem effective from 5 January 2001, but paid officers arrears totaling Kshs.301,000 backdated to 01 September 2000. Under the circumstances, the propriety of the expenditure incurred on external traveling and accommodation totaling Kshs.6,470,451 could not be confirmed.

The Committee heard evidence given by the Chief Executive that since 1991 the Centre operated on unapproved terms and conditions of service contrary to the law.

The Committee further heard that during the year under review, the then Executive Chairman approved higher rates than those approved by DPM Circular No. 4/2000 Ref: DPM38/1/1A/(14) of 31st August 2000. The rates were later reverted back to DPM rates obtaining in Circular No. OP/CAB.2/12A of 11th November 2004.

The Committee recommends that Chief Executive regularizes the expenditure of Kshs.6,470,451, which was spent on payment of officers' external traveling and accommodation during the period, which the Centre operated without approved Terms, and Conditions of Service.

8. FEES, COMMISSION AND HONORARIA

The Fees, Commission and Honoraria of Kshs.1,964,671 reflected in the accounts of the Centre includes Kshs.380,000 paid irregularly to the Board members whose term of office expired on 1 June 2000. According to the Kenya Gazette Notice No. 5446, of 9 October 1997, the Board was appointed for a period of three years with effect from 1 June 1997. However, the Board members continued illegally in office for the year 2000/2001 without the authority of the Government.

The Committee heard evidence given by the Chief Executive that during the year under review the amount of Kshs.380,000 was irregularly paid to members of the Board whose term of office expired on 1st June 2000 and who continued to stay in office unlawfully.

The Committee recommends that the Chief Executive identifies the names of the board members and forwards them to the Inspector General (Corporations) for recovery of the Kshs.380,000 irregularly paid to them when they were not in office legally.

9. COMPUTER SERVICES

During the year under review, the Centre made payments totaling Kshs.366,878 to two firms, for computer services without competitive bidding. Further, no contracts between the firms and the Centre were seen and that the invoices raised by the firms

were not supported with Local Service Orders (LSOs) to confirm that the Centre ordered for the services. It was also noted that there were no VAT numbers quoted in all the invoices, thus making it difficult to confirm whether a total of Kshs.21,044 charged to the Centre as VAT was genuine and remitted to VAT Department of Kenya Revenue Authority. In the circumstances, therefore, it was not possible to confirm the propriety of the expenditure of Kshs.701,623 and whether the Centre obtained value for money for services rendered by the two firms.

The Committee heard evidence given by the Chief Executive that during the year under review, the Centre contracted M/s. Atlas Data Com and M/s. Intergreen Services to provide designing, servicing and maintaining of the payroll system and website design and maintenance, respectively at a total cost of Kshs.701,623. The Committee further heard that the two firms did not indicate VAT numbers on the invoices used to pay them.

The Committee was informed that due to the irregular manner in which the contract was awarded, the matter was reported to the Director of Criminal Investigations Department (CID) who, on 15th January 2001 carried all documents relating to the two contracts for investigation. The investigations are yet to be concluded.

The Committee observed with concern that it has taken inordinately long for the Director of CID to conclude and/or report progress on the outcome of the investigations, if any, on the above-mentioned contracts while they continue holding the original documents relating to the contract.

The Committee recommends that:-

(i) as a matter of urgency, the Director of Criminal Investigations Department expedites investigations on the circumstances and the manner in which the contracts were awarded; and

(ii) the Chief Executive ensures that procurement of goods and services at the Centre is done in accordance with the Public Procurement and Disposal Act, 2005.

10. CONSULTANCY SERVICES

During the year under review, a firm was paid Kshs.175,000 as down payment for consultancy fees out of an agreed total of Kshs.300,000. However, the agreement between the Centre and the consultant was signed by the former Executive Chairman on 18 June 2001, long after the Chairman's retirement on 8 June 2001. Although the Board members had recommended that the down payment be made after the consultant had presented his draft report, there was no evidence to show that a report was presented by the consultant before the down payment of Kshs.175,000 was made.

The balance of Kshs.125,000 has since been paid by the Centre. Further, the Centre also hired another consultant for some job she applied for at the Centre to gain experience, for which the Centre paid consultancy fees of Kshs.140,000 through the Executive Chairman. She was paid at a daily rate of Kshs.5,000 for twenty eight days from the date she had made the application. No explanation or records were provided for audit, showing the nature of services offered by the second consultant, neither was there any evidence to indicate that the Board of Directors approved the expenditure. In addition, the Centre paid a third consultant Kshs.180,000 for Consultancy services, which was also not approved by the Board of Directors. Apart from the fact that the nature of the Consultancy services were not specified in all the three (3) consultancy jobs, the reports produced by the consultants have not been put to use by the Centre. In the circumstances, therefore, it has not been possible to confirm the propriety of the total expenditure of Kshs.620,000 incurred on consultancy services.

The Committee heard evidence given by the Chief Executive that during the year under review the Centre contracted Mr. Andre Leon Venter to carry out a study on "Migration of animals through Kitengela migration corridor" at a contract fee of Kshs.300,000 out of which Kshs.175,000 was paid in advance while the balance was subject to the submission of draft report on the study.

The Committee further heard that:-

(i) **Ms. Harriet Ng'ok was hired to carry out a study on "Investment Banking in Kenya" at a total cost of Kshs.140,000 which was computed at the rate of Kshs. 5,000 per day for 28 days; and**

(ii) **M/s. Murugu & Co was hired by the Centre to carry out a study on "appraisal and re-organization of the Centre" at a total cost of Kshs.180,000.**

The Committee noted that though the Board had provided that the balance of Kshs.125,000 payable to Mr. Andre Venter would only be paid on submission of the draft report, evidence given showed that he was paid even before the said report was submitted.

The Committee noted that, without the approval of the Board, the total expenditure of Kshs.320,000 spent on the studies that were carried out by Ms. Harriet Ng'ok and M/s. Murugu & Co. constitutes an improper charge on public funds. Further, the reason given by the then management of the Centre that Ms. Ng'ok was hired to undertake the study so as to enable her gain experience, could not justify the expenditure of Kshs. 140,000 as this is not a core business of the Centre.

The Committee also noted that there was no evidence to justify the need to carry out the three studies.

The Committee therefore recommends that the Inspector General (Corporations) institute recovery of Kshs.320,000 expended on the unapproved study contracts from the then Executive Chairman of the Centre, Dr. Joseph Ng'ok.

11. RENOVATION OF OFFICES AFTER BOMB BLAST

As reported in the previous year, the Centre continued with renovation of their offices, and during the year under review, paid a firm an amount of Kshs.1,297,330 in addition to Kshs.1,387,184 paid the previous year. It was noted that out of total renovation payments made of Kshs.2,684,514, the Centre spent a total of Kshs.2,111,830 on the General Manager's office alone. It was further noted that the expenditure was not approved by the Centre's Board of Directors. In the circumstances, it was not possible to confirm the propriety of the total expenditure of Kshs.2,684,514 spent on renovations of the Centre's Offices.

The Committee heard evidence given by the Chief Executive that following the 1998 bomb blast the Centre irregularly called for quotations from specific firms for repair of its offices, which were extensively damaged. The contract was awarded to M/s Lelsiwon Ltd owned by one Hon. Raphael Kitur at a contract sum of Kshs. 1,714,500, which was later revised upwards to Kshs. 2,684,514.

The Committee was informed that due to the irregular manner in which the contract was awarded, the matter was reported to the Director of Criminal Investigations Department (CID) who, on 15th January 2001 carried all documents related to the contract for investigation. The investigations are yet to be concluded.

The Committee observed with concern that it has taken inordinately long for the Director of CID to conclude and/or report progress on the outcome of the investigation, if any, on the above mentioned contract while they continue holding the original documents related to the contract.

The Committee recommends that:-

(i) **as a matter of urgency, the Director of Criminal Investigations Department expedites investigations on the circumstances and the manner in which the contract for repair of Centre's offices was awarded and thereafter the contract fee varied by over 56 %; and**

(ii) **the Chief Executive ensures that procurement of goods and services at the Authority is done in accordance with the Public Procurement Disposal Act, 2005.**

12. PRIVATE EXPENDITURE

On 18 August 2000, the Centre paid Kshs.300,000 to National Bank Card Centre for what was described as "payment towards Internal Visa Card No. 4996300 2000 6002 training expenses" for officers of the Centre who underwent some training. The Centre also made subsequent payments of Kshs.50,000 per month from the month of September 2000 to the close of the financial year, amounting to Kshs.500,000, bringing the total paid to the Card Centre to Kshs.800,000. The Card was personal to the former Executive Chairman. No evidence was seen to show that the expenditure was incurred for the benefit of the Centre, or that there was approval by the Board of Directors. In the circumstances, therefore, it was not possible to confirm the propriety of the expenditure of Kshs.800,000 paid to the Card Centre.

The Committee heard evidence given by the Chief Executive that the then Executive Chairman Dr. J. Ng'ok and the then General Manager, Finance & Administration, Mr. Francis Oyugi held Visa Cards from the National Bank of Kenya. The Centre was the registered guarantor of the cards as they were meant to be used for official purposes only when the officers were on official local or foreign trips. The Centre was then to settle the visa card bills upon receipt of the appropriate expenditure documents.

The Committee noted that the Centre never received any visa card bills and was not aware of any expenditure on the cards until auctioneers came to attach the Centre's property in August 2000. It was then that the Centre requested the National Bank of Kenya for the visa card statements. Upon receipt of the statements, the Centre realized that the principal card, which was being held by Dr. J. Ng'ok had outstanding expenses that could not be explained since there were no supporting documents. The alleged training of two officers, Mr. Luka Obbanda and Mrs. Sicily Kariuki while on official trip with the Executive Chairman in London could not be explained.

The Committee was informed that the management has since forwarded the matter to the Inspectorate of State Corporations for recovery.

The Committee recommends that the Inspector General (Corporations) recovers the amount of Kshs.800,000 irregularly spent by Mr. Joseph K. Ng'ok on the credit cards.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF INVESTMENT PROMOTION FOR THE YEAR ENDED 30 JUNE 2002

1. DEFICIT FOR THE YEAR

During the year ended 30 June 2002 the Investment Promotion Centre incurred a deficit of Kshs.15,846,279.00 compared to a surplus balance of Kshs.2,542,690 in the previous year. The deficit was attributable to increases of Kshs.13,620,963.00 in salaries, Kshs.6,258,952 in office supplies and Kshs.4,689,269.00 in transport and traveling during the year ended 30 June, 2002 without corresponding increase in income. Further, the Balance Sheet reflected a negative working capital of Kshs.7,634,157 as at 30 June, 2002.

The Centre was therefore technically insolvent and the financial statements have been prepared on a going concern basis which assumes continued support from the Government and creditors.

The Committee heard evidence given by the Chief Executive that during the year ended June 30th 2002 the Investment Promotion Centre incurred a deficit of Kshs. 15,846,279 compared to a surplus balance of Kshs. 2,542,690 in the previous year.

The Committee further heard that the deficit was attributable to increases in salaries, office appliances and travels during the year.

The Committee noted that the Government has since given a grant to the Centre and therefore it continued to operate as a going concern from the year 2004/2005 thereby resolving the audit query.

2. FIXED ASSETS

As pointed out in previous year's report, the Centre has not maintained an up to date Fixed Assets Register. Assets costing Kshs.2,621,700.00 purchased during the year under review were not recorded in the Assets Register and a Toshiba laptop valued at Kshs.114,000 lost during an exhibition was included in the assets. Further, some furniture and fittings which had nil book value were revalued at Kshs.1,497,200.00, while other furniture and office equipment at the airport office and the Centre's boardroom were not revalued. Under the circumstances, it was not possible to confirm the correctness of the fixed asset figure of Kshs.8,519,892.00 as at 30 June 2002.

The Committee heard evidence given by the Chief Executive that during the year under review the Centre did not maintain an up to date Fixed Assets Register.

The Committee was informed that the Centre (KIA) has since reorganized its account department and put in place measures to ensure that all ledgers and other accounting documents pertaining to fixed assets are duly updated thereby resolving the audit query.

3. PRINTING OF INVESTORS GUIDE

In August 2001, Investment Promotion Centre contracted a trading firm through tender No. 15/2001-2002 to print twenty thousand (20,000) copies of Investors Guide at a unit cost of Kshs.299.50 per copy for a total cost of Kshs.5,990,000.00. The Centre subsequently paid a total of Kshs.5,670,000 but received only 8,300 copies valued at Kshs.2,485,850 (i.e. 8,300 @ Kshs.299.50) each. The Centre therefore over paid the supplier by Kshs.3,194,150. Further the firm's invoices did not disclose its VAT registration number and consequently, it was not possible to confirm whether VAT was factored in the transaction and paid. At the same time of awarding the contract, the Centre did not have a Board of Directors and the expenditure on the printing of Investors Guides of Kshs.5,670,000.00 did not therefore have the Boards' or Ministerial approval. Although IPC has indicated that the matter was reported to the Commission for investigation, the outcome of the investigations has not been seen. In the circumstances, the propriety of the expenditure incurred on printing the guides and the chances of recovery of the amount overpaid to the printers could not be ascertained.

The Committee heard evidence given by the Chief Executive that during the year under review the Centre contracted a firm to print 20,000 copies of investors guide at a total cost of Kshs.5,990,000.

The Committee further heard that the firm fraudulently submitted invoices for the whole quantity while the actual supply was 8,300 copies. The printer was paid in full on strength of the invoice. The matter was thereafter reported to the Director of CID when the anomaly was discovered. The printer was made to supply the remaining copies, thereby resolving the audit query.

4. TERMS AND CONDITIONS OF SERVICE

It was pointed out in the previous year's report that the Centre operated without approved terms and conditions of service for the Managing Director and staff contrary to the provisions of Section 7(2) of the Investment Promotion Centre (Cap 485) which required that terms and conditions of service for the Managing Director, staff, agents or other persons appointed shall be determined by the Minister. The situation did not change during the year. The current salaries and allowances, totaling Kshs.46,893,115.00 for the year were paid without the approval of the relevant Minister as required. In the circumstances, it was not possible to confirm the propriety of the expenditure incurred on the salaries and allowances.

The Committee heard evidence given by the Chief Executive that since 1991 the Centre operated on unapproved terms and conditions of service contrary to the law.

The Committee recommends that Chief Executive seeks post facto authority to regularize expenditure of Kshs. 46,893,115 paid to members of staff as salaries and allowances without approval by the parent Ministry and made during the period, which the Centre operated without approved Terms and Conditions of Service.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF INVESTMENT PROMOTION CENTRE FOR THE YEAR ENDED 30 JUNE 2003

1. FINANCIAL POSITION

During the year ended 30 June, 2003, the Centre recorded a deficit of Kshs.3,052,688 thereby bringing the General Fund to a negative balance of Kshs.3,938,423. The deficit is attributed to high staff costs which totaled Kshs.52,396,171.10 (2002 - Kshs.44,865,579). Further, the balance sheet reflects a negative working capital of Kshs.17,854,664 as at 30 June, 2003. Evidently, therefore the Centre is technically insolvent and its continued operation as a going concern is entirely dependent upon support from the Government and its creditors.

The Committee heard evidence given by the Chief Executive that during the year ended June 30th 2003 the Investment Promotion Centre incurred a deficit of Kshs. 3,052,688.

The Committee further heard that the deficit was attributable to increases in salaries, office appliances and travels during the year.

The Committee noted that the government has since given a grant to the Centre and therefore it continued to operate as a going concern from the year 2004/2005 thereby resolving the audit query.

2. STAFF EMOLUMENTS

It was pointed out in the previous years' report that the Centre operated without approved terms and conditions of service for staff contrary to the provisions of Section 7(2) of the Investment Promotion Centre Act (Cap.485) which requires that terms and conditions of service of the Managing Director, Staff, Agents, or other persons appointed shall be determined by the Minister. The situation did not change during the year under review. The salaries and allowances totaling Kshs.52,396,171.10 for the year were paid without approval of the Minister as required. In the circumstances, it was not possible to confirm the propriety of the expenditure incurred on salaries and allowances.

The Committee heard evidence given by the Chief Executive that since 1991 the Centre operated on unapproved terms and conditions of service contrary to the law.

The Committee recommends that Chief Executive seeks post facto authority to regularize expenditure of Kshs. 52,396,171.10 paid to members of staff as salaries and allowances without approval by the parent Ministry and made during the period, which the Centre operated without approved Terms, and Conditions of Service.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA MEDICAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE 2001

1. STAFF HOUSING PROJECT

Reference was made in the previous years reports of the irregular manner in which the Institute entered into an agreement for the construction of a staff housing project on Plot No. L.R.209/10683, Mbagathi Road, Nairobi, which at the time of entering into the contract, belonged to Cyperr Enterprises Ltd. The construction project was estimated to be completed by February 1991 and to cost Kshs.165 million. However, the project was abandoned after the contractors had been paid Kshs.101,727,177 by the Institute. Government in 1993 paid a further Kshs.280 million into the account of the contractor on behalf of KEMRI, even though the contractor had already abandoned the project thus bringing the total payment then to Kshs.381,727,177. Thereafter, for unexplained reasons, the Government, in 2000 released an amount of Kshs.142,000,000 to KEMRI towards settlement of an outstanding debt owed by the contractor to the National Bank of Kenya and for the revival of the Project, but the project still remained stagnant. Out of the Kshs.142,000,000 released for the project, the Institute deposited Kshs.120,000,000 with its lawyers for onward transmission to the National Bank of Kenya on behalf of Cyperr Enterprises Ltd, the construction company, but as far as can be ascertained, the deposit is still being held by the lawyers, out of which Kshs.27,327,697 was reportedly and irregularly used to pay City Council rates and land rent in April 2000. In the circumstances, therefore, and apart from the fact that immediate revival of the project continues to remain doubtful, when releasing the amount of Kshs.142 million to KEMRI, the stated Government intention was to not only get the dispute between the Bank and the developer resolved and the project revived and completed but also to avoid further escalation of the cost of the project arising from further interest charges on the outstanding loans. It is not clear, under what circumstances the Government got involved into the developers debt and the matter still remains unresolved with the project still incomplete.

The Committee heard evidence given by the Chief Executive that the Institute entered into an agreement with the developer M/s Cyperr Enterprises Ltd for development of Staff Housing Project on Mbagathi Road, next to Nyayo Highrise Estate in Nairobi which was then estimated to be completed in February 1991 at a cost of Kshs. 165 million. By the time the project stalled in 1993/94 financial year, the Institute had incurred expenditure totalling Kshs.101,727,177 and that the developer, using the title documents of the land on which the development was being undertaken, borrowed funds from the National Bank of Kenya which initially grew to Kshs. 313 million.

The Committee noted that it had deliberated on the matter in its 12th Report page 107. It enquired about the background of the stalled project wherein it was informed that:-

(i) on or about 7th July 1989, KEMRI approved a proposal by M/s Cyperr Enterprises Limited to put up a property development on L.R. Number 209/10683 under a purchaser - financed arrangement. The total project cost as per agreement entered in 1990 was Kshs. 165 million;

(ii) the funds from the Treasury were not forthcoming as earlier anticipated, thus occasioning delay in the schedule of the housing development. The failure of the Institute to obtain further funding for this project from the Treasury was contributed by the withholding of funding to Kenya by donors especially the World Bank and the IMF;

(iii) arising from (ii) above, on 23 November 1990, and after approaching the Treasury and the Office of the President, M/s Cypper Enterprises sought permission from KEMRI to use the property to secure a development loan from NBK. Subsequently, approval was given by KEMRI to NBK to charge the property for up to a maximum of Kshs. 50 million. There was a further charge of Kshs. 40 million approved by the Central Government, which was done without consultations with KEMRI. Further, it was agreed that no withdrawals could take place without the authority of KEMRI;

(iv) KEMRI later learnt that the Treasury had paid a sum of Kshs. 280 million directly to NBK. KEMRI further learnt that this amount effectively cleared the principal sum plus interest for the loan on the M/s Cypper Enterprise's account at the Bank. NBK received and acknowledged the receipt. It also came to their knowledge that this payment formed part of Kshs. 2.4 billion paid out by the Treasury directly to NBK to settle public debt;

(v) in April 1993, after the said sum of Kshs 280 million had been paid, and instead of immediately, and unconditionally discharging the title for registration in favour of KEMRI, the bank accommodated further withdrawals amounting to Kshs. 25 million against the account without authority or knowledge of KEMRI;

(vi) an inter-Ministerial Committee, formed by the Government to resolve the problem facing the project, recommended that Treasury pays National Bank of Kenya an amount of Kshs. 160 million in order to release the title. As a result the Institute received Kshs. 142 million in the 1999/2000 financial year to settle the outstanding account; and

(vii) in May 1993, M/s Cypper Enterprises was put under receivership, thus making it unable to negotiate or service its financial obligations.

The Committee noted that, arising from its recommendations in the 12th Report page 110:

(i) the amount of Kshs.93,704,800 which was held by the Institute's lawyers M/s Sande Makhandia & Co. Advocates has since been refunded and retained for utilization towards completion of the project;

(ii) amount of Kshs.26, 166,808 which was held by lawyers has since been remitted to the Institute's bank. The difference of Kshs.128, 392.25 was deducted by the said lawyers as collection fees; and

(iii) the Director of the Institute has since reported M/s Sande Makhandia & Co. Advocates, M/s Rachier & Co. Advocates to the Advocates Complaint Commission for professional misconduct by abetting loss of client's money. The action of the Commission is awaited;

The Committee also noted with grave concern that: -

(i) the Commission of Police is yet to act on its recommendation in the 12th Report page 110 regarding investigation on forged receipts presented to the Institute by M/s Sande Makhandia & Co. Advocates and M/s Rachier & Co. Advocates ostensibly in support of payment of Kshs.27,327,697 to the city council and the Ministry of Lands as Council rates and Land rent, respectively, for the plot No. L.R. 209/10683; and

(ii) despite its recommendation in the said 12th Report, the Government is yet to intervene to have National Bank of Kenya to discharge the title deed in respect of L.R. 209/10683 to allow completion of the Housing project.

In view of the aforementioned background, the status of implementation of its recommendations in the said Report, and the huge amount of public funds spent on the abandoned Staff Housing project, the Committee, in preparation of this 15th Report resolved to address the matter with finality.

To this end, the Committee held consultative meetings with Permanent Secretaries in the Ministries of Finance and Health, the Investment Secretary and the management of the Institute wherein the Ministry of Finance was asked to intervene on the matter. In line with the proposal of the Committee, the Permanent Secretary in the Ministry of Finance vide letter REF: Conf. 268/03 of 6th February 2007 conveyed to the Committee that:-

(a) he had asked the Permanent Secretary Ministry of Health to instruct the Director of the Institute (in consultation with the Ministry of Roads and Public Works), to undertake an evaluation of the

budgetary requirements for the completion of the project. Based on this evaluation, the quantum of the resources required to finalise the project will be identified and be factored in the budget estimates for the financial year 2007/08; and

(b) the Ministry of Health would take the lead in the overall management of the project in order to avoid past mistakes.

The Permanent Secretary, Ministry of Health informed the Committee that his Ministry had factored in the budgetary requirements of the project in the Ministry's budget for the year 2007/2008. The project would be funded in two phases, since it is estimated to take 11 months, that would spill over to 2008/2009 financial year.

Accordingly, the Committee recommends that:

(i) the Permanent Secretary in the Ministry of Finance ensures that the budgetary requirements for the completion of the project is factored in the budget estimates for the financial year 2007/2008, and 2008/2009 to be presented before the House;

(ii) the Ministry of Health takes the lead in the overall management of the project;

(iii) in line with recommendations (i) above, the Treasury ensures that the National Bank of Kenya discharges the plot of L.R. 209/10683 and registers it in the name of KEMRI;

(iv) the Commissioner of Police and the Director of Kenya Anti-Corruption Commission expedites investigation on the matter of fictitious receipts in support of Kshs.27,327,697 presented by M/s Sande Makhandia & Co. Advocates and M/s Rachier & Co. Advocates ostensibly in support of payment to the Nairobi City Council and the Ministry of Lands as Council rates and Land rent respectively for the plot No. L.R. 209/10683.

2. PENSION SCHEME CONTRIBUTIONS

As previously reported, between 1 July 1993 and 30 April 1996, the Institute paid Staff Pension Scheme contributions amounting to Kshs.97,930,600.00 to Kenya National Assurance Company Limited (in liquidation), thereby bringing the total Scheme's funds invested to Kshs.1,762,761,360 as at 30 June 1996. The Institute has, to date, neither received payment of these contributions from the Receivers of Kenya National Assurance Company nor has it provided details of the pensioners and their respective balances in relation to the above contributions.

The Committee heard evidence given by the Chief Executive that, following re-computation of the premiums, the amounts due from the defunct Kenya National Assurance Co. Ltd. was adjusted to Kshs. 101,807,738.80 from 97,930,600 out of which Kshs. 67,656,698.15 has since been received from the Kenya National Assurance Co. (2001) Ltd.

The Committee also heard that the Kenya National Assurance Co. (2001) Ltd has undertaken to settle the balance of Kshs. 34,151,040.65 once the properties of the defunct KNAC have been liquidated.

The Committee recommends that the Chief Executive continue pursuing settlement of the pension balance with the Kenya National Assurance Co. (2001) Ltd.

3. ABANDONED PROJECT

The Fixed Assets balance of Kshs.1,223,500,537 as at 30 June 2001 includes Kshs.5,375,472 being the Institute's contributions towards a joint Project with Kenya Trypanosomiasis Research Institute (KETRI) which, in 1987 was expected to cost Kshs.28,785,039 but which was later abandoned when the project was 37% complete. A review of the position in the year 2000/2001 showed that the project was still stalled even though KEMRI had reportedly taken over their portion of the houses. In the meantime, the stalled project continues to deteriorate and may cost more than originally planned if and when eventually revived and completed.

The Committee heard evidence given by the Chief Executive that the project which was contracted in 1987 at a cost of Kshs. 28,785,039 was executed by the Kenya Tryponosomiasis Research Institute (KETRI) on behalf of the two Institutes.

The Committee was also informed that:

(i) the project stalled with only 37% work complete by which time KEMRI had contributed a total of Kshs. 5,375,472;

(ii) following profound delays in financing the project, the two Institutes agreed to allocate each other portions of the housing units with KEMRI taking possessions of eight (8) incomplete units. Each Institute was to seek funding to complete its portion subject to a joint completion of common services; and

(iii) the project was abandoned when no further funding was available from the Treasury and the Institute's efforts to obtain Treasury funding to the tune of Kshs. 45 million to complete its part of the project has been unsuccessful.

Noting the amount of funds already put in the project by the two Institutes, the Committee recommends that:-

(i) the Chief Executives of the two institutes, in liaison with the parent Ministry and the Ministry Roads Public Works ensures that the budgetary requirement of the remaining part of the stalled project is determined; and

(ii) the Treasury provides requisite funding to the two Institutes to enable them complete the project.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA MEDICAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE 2002

1. PENSION SCHEME CONTRIBUTIONS

As reported in the previous years, between 1st July, 1993 and 30th April, 1996, the Institute remitted staff pension scheme contributions amounting to Kshs.97,930,600 to the Kenya National Assurance Company Limited (in liquidation), thereby bringing the total scheme's funds contributions to the Company to Kshs.1,762,761,330 as at 30th June, 1996. To date, the Institute has neither received payment of these contributions from the official receiver of the Kenya National Assurance Company and has not provided details of the pensioners and their respective balances, in relation to the above scheme. Further, recoverability of the contributions would appear doubtful.

The Committee heard evidence given by the Chief Executive that following re-computation of the premiums, the amounts due from the defunct Kenya National Assurance Co. Ltd. was adjusted to Kshs. 101,807,738.80 from 97,930,600 out of which Kshs. 67,656,698.15 has since been received from the Kenya National Assurance Co. (2001) Ltd.

The Committee also heard that Kenya National Assurance Co. (2001) Ltd has undertaken to settle the balance of Kshs. 34,151,040.65 once the properties of the defunct KNAC have been liquidated.

The Committee recommends that the Chief Executive continue pursuing settlement of the pensions balance with the Kenya National Assurance Co. (2001) Ltd.

2. ABANDONED PROJECT

The fixed assets figure of Kshs.1,376,195,383 as at 30th June 2000 includes Kshs.5,375,472 being the Institute's contribution towards a joint project with the Kenya Trypanosomiasis research Institute (KETRI), which in 1987 was contracted at a cost of Kshs.28,785,039, but was later abandoned when the project was 37% complete. A review of the position in 2001/2002 showed that the project was still stalled even though KEMRI had reportedly taken over the houses. The stalled project continues to deteriorate and may cost more than originally planned when eventually revived and completed.

The Committee heard evidence given by the Chief Executive that the project which was contracted in 1987 at a cost of Kshs. 28,785,039 was executed by the Kenya Tryponosomiasis Research Institute (KETRI) on behalf of Institutes.

The Committee was informed that:

(i) the project stalled with only 37% work complete by which time KEMRI had contributed a total of Kshs. 5,375,472 ;

(ii) following profound delays in financing the project, the two Institutes agreed to allocate each other portions of the housing units with KEMRI taking possessions of eight (8) incomplete units. Each Institute was to seek funding to complete its portion subject to a joint completion of common services; and

(iii) the project was abandoned when no further funding was available from the Treasury and the Institute's efforts to obtain Treasury funding to the tune of Kshs 45 million to complete its pat of the project has been unsuccessful.

Noting the amount of funds already put in the project by the two Institutes, the Committee recommends that the Treasury provide requisite funding to the two Institutes to enable them complete the project.

3. IRREGULAR IMPLEMENTATION OF HOUSE ALLOWANCE

During the year under review, the Institute irregularly implemented circular number OP18/2/1A of 21st June 2000 from the Office of the President. The Institute paid Nairobi house allowance rates uniformly to all its staff irrespective of their duty stations. It appears the Institute had over paid its staff outside Nairobi to the tune of Kshs.1,836,121.80 and Kshs.12,556,800 in respect of 2000/2001 and 2001/2002 financial years respectively. Under the circumstances, therefore, the Institute was clearly in breach of Government regulations and recovery of the overpayment ought to have been effected.

The Committee heard evidence given by the Chief Executive that during the year under review, the Institute paid house allowances to its researchers and other officers at rates applicable in Nairobi. The Committee also heard that the affected researchers and officers were assigned duties in and outside Nairobi.

Whilst observing that the Institute had hired the affected researchers and officers on basis of donor funding, the Committee noted the nature of the work of the researchers and officers involves movement from different Stations in and out of Nairobi. Since all other persons under the employment of the Institute received uniform house allowances, it would have been unjustifiable to pay the said researchers and officers at different rates.

The Committee recommends that the Chief Executive of the Institute harmonise house allowances payable to its members of staff to reflect the requirements of Office of the President's Circular No. OP18/2/1A of 21 June 2000 as amended by Circular No. OP.18/1A/VIII/141 of June 18, 2001.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA MEDICAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE 2003

1. FIXED ASSETS

The Fixed Assets figure of Kshs.1,378,786,633 as at 30 June 2003 excludes an unknown value of newly constructed buildings at the KEMRI headquarters and at Kisumu Centre, which were constructed by the Government of the United States of America. However, no agreement or records have been seen to confirm the nature of arrangements between the Kenya Government / KEMRI and the United States Government. The contract documents for the construction of the buildings have not also been availed to enable the ascertainment of the contract details including the contract sums for each of the projects. In view of the foregoing, the fixed assets balance sheet figure of Kshs.1,378,786,633 as at 30 June, 2003 is understated to the extent of the value of the buildings excluded from the financial statements.

The Committee heard the evidence given by the Chief Executive that during the year under review, fixed assets Balance Sheet figure of Kshs.1,378,786,633 excluded the value of buildings at the headquarters and Kisumu Centre.

The Committee was informed that:-

(i) the buildings were undertaken as a turnkey investment through a CDC grant and that a Memorandum of Understanding had been signed between the CDC and the Corporation;

(ii) information regarding the actual cost could not be availed at the time of audit as CDC had done other projects under the same programme and needed adequate time to analyze and segregate the cost that applied to the Institute, which stands at US$7,687.771.40; and

(iii) the Corporation did not participate in the project and solely relied on CDC to avail the information for onward transmission to the auditors.

The Committee noted that the said information has been availed to the auditors and the figures incorporated in the 2005/2006 financial year, thereby resolving the audit query.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA MEDICAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE 2004

1. RESIDENTIAL STAFF HOUSING PROJECT

The fixed assets balance of Kshs.1,423,579,498 as at 30 June, 2004 includes an amount of Kshs.299,526,955 being the value of a staff housing project which has remained stalled since 1991, when it was due for completion by February, 1991 at a cost of Kshs.165 million. Although the Government has spent a substantial amount of money amounting to Kshs.280 million in 1993 and a further sum of Kshs.142 million in 2000 towards settlement of the contractor's project account at National Bank of Kenya, no tangible progress has been made to complete the housing project. The title documents are also still held by the Bank over outstanding loans and overdrafts extended to the original contractor and secured by the title to the property. In the circumstances, the ownership of the property could not be confirmed and it is not known when or whether the project will ever be completed, raising fears that the entire amount of Kshs.721,526,955 already expended on account of the project may go to waste.

The Committee heard evidence given by the Chief Executive that the Institute entered into an agreement with the developer M/s Cyperr Enterprises Ltd for development of Staff Housing Project on Mbagathi Road, next to Nyayo Highrise Estate in Nairobi which was then estimated to be completed in February 1991 at a cost of Kshs. 165 million. By the time the project stalled in 1993/94 financial year, the Institute had incurred expenditure totalling Kshs.101,727,177 and that the developer, using the title documents of the land on which the development was being undertaken, borrowed funds from the National Bank of Kenya which initially grew to Kshs. 313 million.

The Committee noted that it had deliberated on the matter in its 12th Report page 107. It enquired about the background of the stalled project wherein it was informed that:-

(i) on or about 7th July 1989, KEMRI approved a proposal by M/s Cyperr Enterprises Limited to purchase a property development on L.R. Number 209/10683 under a purchaser - financed arrangement. The total project cost as per agreement entered in 1990 was Kshs. 165 million;

(ii) the funds from the Treasury were not forthcoming as earlier anticipated, thus occasioning delay in the schedule of the housing development. The failure of the Institute to obtain further funding for this project from the Treasury was contributed by the withholding of funding to Kenya by donors especially the World Bank and the IMF;

(iii) arising from (ii) above, on 23 November 1990, and after approaching the Treasury and the Office of the President, M/s Cypper Enterprises sought permission from KEMRI to use the property to secure a development loan from NBK. Subsequently, approval was given by KEMRI to NBK to charge the property for up to a maximum of Kshs. 50 million. There was a further charge of Kshs. 40 million approved by the Central Government, which was done without consultations with KEMRI. Further, that it was agreed that no withdrawals could take place without the authority of KEMRI;

(iv) KEMRI later learnt that the Treasury had paid a sum of Kshs. 280 million directly to NBK. KEMRI further learnt that this amount effectively cleared the principal sum plus interest for the loan on the M/s Cypper Enterprise's account at the Bank. NBK received and acknowledged the receipt. It also came to their knowledge that this payment formed part of Kshs. 2.4 billion paid out by the Treasury directly to NBK to settle public debt;

(v) in April 1993, after the said sum of Kshs 280 million had been paid, and instead of immediately and unconditionally discharging the title for registration in favour of KEMRI, accommodated further withdrawals amounting to Kshs. 25 million against the account without authority or knowledge of KEMRI;

(vi) an inter-Ministerial Committee, formed by the Government to resolve the problem facing the project, recommended that Treasury pays National Bank of Kenya an amount of Kshs. 160 million in order to release the title. As a result the Institute received Kshs. 142 million in the 1999/2000 financial year to settle the outstanding account; and

(vii) in about May 1993, M/s Cypper Enterprises was put under receivership, thus making it unable to negotiate or service its financial obligations.

The Committee noted that, arising from its recommendations in the 12th Report page 110:

(i) the amount of Kshs.93,704,800 which was held by the Institute's lawyers M/s Sande Makhandia & Co. Advocates has since been refunded and retained for utilization towards completion of the project;

(ii) amount of Kshs.26,166,808 which was held by lawyers has since been remitted to the Institute's bank. The difference of Kshs.128,392.25 was deducted by the said lawyers as collection fees; and

(iii) the Director of the Institute has since reported M/s Sande Makhandia & Co. Advocates, M/s Rachier & Co. Advocates to the Advocates Complaint Commission for professional misconduct by abetting loss of client's money. The action of the Commission is awaited;

The Committee also noted with grave concern that: -

(i) the Commission of Police is yet to act on its recommendation in the 12th Report page 110 regarding investigation on forged receipts presented to the Institute by M/s Sande Makhandia & Co. Advocates and M/s Rachier & Co. Advocates ostensibly in support of payment of Kshs.27,327,697 to the city council and the Ministry of Lands as Council rates and Land rent, respectively, for the plot No. L.R. 209/10683; and

(ii) despite its recommendation in the said 12th Report, the government was yet to intervene to have National Bank of Kenya to discharge the title deed in respect of L.R. 209/10683 to allow completion of the Housing project.

The Committee held consultative meetings with Permanent Secretaries in the Ministries of Finance and Health, the Investment Secretary and the management of the Institute wherein the Ministry of Finance was asked to intervene on the matter. In line with the proposal of the Committee, the Permanent Secretary in the Ministry of Finance vide letter REF: Conf. 268/03 of 6th February 2007 conveyed to the Committee that:-

a) he had asked the Permanent Secretary Ministry of Health to instruct the Director of the Institute (in consultation with the Ministry of Roads and Public Works), to undertake an evaluation of the budgetary requirements for the completion of the project. Based on this evaluation, the quantum of the resources required to finalise the project will be identified and be factored in the budget estimates for the financial year 2007/08; and

b) the Ministry of Health would take the lead in the overall management of the project in order to avoid past mistakes.

The Permanent Secretary, Ministry of Health informed the Committee that his Ministry had factored in the budgetary requirements of the project in the Ministry's budget for the year 2007/2008. The project would be funded in two phases, since it is estimated to take 11 months, that would spill over to 2008/2009 financial year.

Accordingly, the Committee recommends that:

(i) the Permanent Secretary in the Ministry of Finance ensures that the budgetary requirements for the completion of the project is factored in the budget estimates for the financial year 2007/2008, and 2008/2009 to be presented before the House;

(ii) the Ministry of Health takes the lead in the overall management of the project;

(iii) in line with recommendations (i) above, the government ensures that the National Bank of Kenya discharges the plot of L.R. 209/10683;

(iv) the Chief Executive ensures that the Institute reintroduces the Plot of L.R. 209/10683 in its assets as soon as practicable possible; and

(v) the Commissioner of Police and the Director of Kenya Anti-Corruption Commission expedites investigation on the matter of fictitious receipts in support of Kshs. 27,327,697 presented by M/s Sande Makhandia & Co. Advocates and M/s Rachier & Co. Advocates ostensibly in support of payment to the Nairobi City Council and the Ministry of Lands as Council rates and Land rent respectively for the plot No. L.R. 209/10683.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA MEDICAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE 2005

1. RESIDENTIAL STAFF HOUSING PROJECT

The non-current assets balance sheet figure of Kshs.1,300,488,959 as at 30 June 2005 excludes Kshs.120,022,200 being cost incurred for a residential building project which stalled and was due for completion by February, 1991 at a cost of Kshs.165 million. The project cost of Kshs.120,022,200 was, during the year under review, written off without approval of the Board of Management.

As reported in the previous years audit reports, the developer of the property secured a loan from the National Bank on the title of the property where KEMRI has an interest. The Government spent Kshs.280 million in 1993 and Kshs.142 million in 2000 towards settling the developer's account at the National Bank of Kenya with expectation that the title would be discharged but the title has yet to be discharged. No tangible progress has been made to complete the housing project and title documents have not been obtained. Consequently, I am unable to confirm both ownership of the stalled housing project and when or how the project will be revived and completed by the Institute, especially now that the total project cost so far incurred of Kshs.120,022,200 has been written off without Board approval.

The Committee heard evidence given by the Chief Executive that the Institute entered into an agreement with the developer M/s Cyperr Enterprises Ltd for development of Staff Housing Project on Mbagathi Road, next to Nyayo Highrise Estate in Nairobi which was then estimated to be completed in February 1991 at a cost of Kshs. 165 million. By the time the project stalled in 1993/94 financial year, the Institute had incurred expenditure totalling Kshs.101,727,177 and that the developer, using the title documents of the land on which the development was being undertaken, borrowed funds from the National Bank of Kenya which initially grew to Kshs. 313 million.

The Committee noted that it had deliberated on the matter in its 12th Report page 107. It enquired about the background of the stalled project wherein it was informed that:-

(i) **on or about 7th July 1989, KEMRI approved a proposal by M/s Cyperr Enterprises Limited to purchase a property development on L.R. Number 209/10683 under a purchaser - financed arrangement. The total project cost as per agreement entered in 1990 was Kshs. 165 million;**

(ii) **the funds from the Treasury were not forthcoming as earlier anticipated, thus occasioning delay in the schedule of the housing development. The failure of the Institute to obtain further funding for this project from the**

Treasury was contributed by the withholding of funding to Kenya by donors especially the World Bank and the IMF;

(iii) arising from (ii) above, on 23 November 1990, and after approaching the Treasury and the Office of the President, M/s Cypper Enterprises sought permission from KEMRI to use the property to secure a development loan from NBK. Subsequently, approval was given by KEMRI to NBK to charge the property for up to a maximum of Kshs. 50 million. There was a further charge of Kshs. 40 million approved by the Central Government, which was done without consultations with KEMRI. Further, that it was agreed that no withdrawals could take place without the authority of KEMRI;

(iv) KEMRI later learnt that the Treasury had paid a sum of Kshs. 280 million directly to NBK. KEMRI further learnt that this amount effectively cleared the principal sum plus interest for the loan on the M/s Cypper Enterprise's account at the Bank. NBK received and acknowledged the receipt. It also came to their knowledge that this payment formed part of Kshs. 2.4 billion paid out by the Treasury directly to NBK to settle public debt;

(v) in April 1993, after the said sum of Kshs 280 million had been paid, and instead of immediately and unconditionally discharging the title for registration in favour of KEMRI, accommodated further withdrawals amounting to Kshs. 25 million against the account without authority or knowledge of KEMRI;

(vi) an inter-Ministerial Committee, formed by the Government to resolve the problem facing the project, recommended that Treasury pays National Bank of Kenya an amount of Kshs. 160 million in order to release the title. As a result the Institute received Kshs. 142 million in the 1999/2000 financial year to settle the outstanding account; and

(vii) in about May 1993, M/s Cypper Enterprises was put under receivership, thus making it unable to negotiate or service its financial obligations.

The Committee noted that, arising from its recommendations in the 12th Report page 110:

(i) the amount of Kshs.93,704,800 which was held by the Institute's lawyers M/s Sande Makhandia & Co. Advocates has since been refunded and retained for utilization towards completion of the project;

(ii) amount of Kshs.26,166,808 which was held by lawyers has since been remitted to the Institute's bank. The difference of Kshs.128,392.25 was deducted by the said lawyers as collection fees; and

(iii) the Director of the Institute has since reported M/s Sande Makhandia & Co. Advocates, M/s Rachier & Co. Advocates to the Advocates Complaint Commission for professional misconduct by abetting loss of client's money. The action of the Commission is awaited;

The Committee also noted with grave concern that: -

(i) the Commission of Police is yet to act on its recommendation in the 12th Report page 110 regarding investigation on forged receipts presented to the Institute by M/s Sande Makhandia & Co. Advocates and M/s Rachier & Co. Advocates ostensibly in support of payment of Kshs.27,327,697 to the city council and the Ministry of Lands as Council rates and Land rent, respectively, for the plot No. L.R. 209/10683; and

(ii) despite its recommendation in the said 12th Report, the government is yet to intervene to have National Bank of Kenya to discharge the title deed in respect of L.R. 209/10683 to allow completion of the Housing project.

The Committee held consultative meetings with Permanent Secretaries in the Ministries of Finance and Health, the Investment Secretary and the management of the Institute wherein the Ministry of Finance was asked to intervene on the matter. In line with the proposal of the Committee, the Permanent Secretary in the Ministry of Finance vide letter REF: Conf. 268/03 of 6th February 2007 conveyed to the Committee that:-

(a) he had asked the Permanent Secretary Ministry of Health to instruct the Director of the Institute (in consultation with the Ministry of Roads and Public Works), to undertake an evaluation of the budgetary requirements for the completion of the project. Based on this evaluation, the quantum of the resources required to finalise the project will be identified and be factored in the budget estimates for the financial year 2007/08; and

(b) the Ministry of Health would take the lead in the overall management of the project in order to avoid past mistakes.

The Permanent Secretary, Ministry of Health informed the Committee that his Ministry had factored in the budgetary requirements of the project in the Ministry's budget for the year 2007/2008. The project would be funded in two

phases, since it is estimated to take 11 months, that would spill over to 2008/2009 financial year.

Accordingly, the Committee recommends that:

(i) the Permanent Secretary in the Ministry of Finance ensures that the budgetary requirements for the completion of the project is factored in the budget estimates for the financial year 2007/2008, and 2008/2009 to be presented before the House;

(ii) the Ministry of Health takes the lead in the overall management of the project;

(iii) in line with recommendations (i) above, the government ensures that the National Bank of Kenya discharges the plot of L.R. 209/10683;

(iv) the Chief Executive ensures that the Institute reintroduces the Plot of L.R. 209/10683 in its assets as soon as practicable possible; and

(v) the Commissioner of Police and the Director of Kenya Anti-Corruption Commission expedites investigation on the matter of fictitious receipts in support of Kshs. 27,327,697 presented by M/s Sande Makhandia & Co. Advocates and M/s Rachier & Co. Advocates ostensibly in support of payment to the Nairobi City Council and the Ministry of Lands as Council rates and Land rent respectively for the plot No. L.R. 209/10683.

2. <u>DEBTORS - KSHS.122,430,444</u>

Included in the balance sheet debtors of Kshs.122,430,444 is Kshs.120 million which, according to Note 5 to the financial statements, is owed by the Institute's advocate being an amount deposited to settle outstanding accounts on the staff housing project on behalf of the Institute. The information available indicates that the advocate paid the Institute Kshs.93,704,800 on 21 October 2004, leaving an unpaid balance of Kshs.26,295,200. It is not clear and management has not explained why Kshs.120 Million is still reflected under debtors as at 30 June 2005. Further, it is not clear whether and how much interest had been earned from the funds held by the advocate during the period as these have not been incorporated in the financial statement. In the circumstances, the existence and validity of the debtors balance of Kshs.122,430,444 as at 30 June 2005 could not be confirmed.

The Committee heard evidence given by the Chief Executive that amount of Kshs.122,430,444 appeared under debtors schedule because the full amount had not been collected from the debtors and that the management considered it prudent to recognise the total debt until realised in full.

The Committee also heard that the amount was held in call and not interest bearing account and that the balance owing from the Institutes' lawyers totalling Kshs.26,166,808 has since been remitted to the Institutes' bank account and verified by the Controller and Auditor General. Whilst observing that the audit reservation was raised by the Controller and Auditor General pursuant to its recommendation in the 12th Report in the matter of Institute's staff Housing Project, the Committee noted that difference of Kshs128,392.25 was deducted by the lawyers as collection fees.

The audit query was resolved.

3. IRREGULAR HOUSE ALLOWANCES – KSHS.15,020,800

The Institute, during the year under review, paid to staff a total of Kshs.15,020,800 in irregular house allowances. The allowances were paid uniformly to officers in the same grade regardless of the location in Kenya or the work station. Although the management has explained and attributed the irregular payments to frequent movement of staff to various stations within the country, these payments are in contravention of Office of the President Circular No. OP.18/IA/VIII/141 of 18 June 2001, which sets out different rates according to grades and localities. Under the circumstances, it was not possible to confirm the propriety of the total overpayments made of Kshs.15,020,800.

The Committee heard evidence given by the Chief Executive that during the year under review, the Institute paid house allowances to its researchers and other officers at rates applicable in Nairobi. The Committee also heard that the affected researchers and officers were assigned duties in and outside Nairobi.

Whilst observing that the Institute had hired the affected researchers and officers on basis of donor funding, the Committee noted the nature of the work of the researchers and officers involves movement from to different Stations in and out of Nairobi. Since all other persons under the employment of the Institute received uniform house allowances, it would have been unjustifiable to pay the said researchers and officers at different rates.

The Committee recommends that the Chief Executive of the Institute harmonizes house allowances payable to its members of staff to reflect the requirements of Office of the President's Circular No. OP18/2/1A of 21 June 2000.

4. DONOR FUNDING

The Institute's Income and Expenditure Accounts (Notes 3(a) and 4 (b) reflects matching receipts and expenditure of Kshs.1,722,143,034 and Kshs.54,406,514 under Special Accounts and Grants and JICA Operational Grants respectively. However, no

independent audit reports on these donor-funded projects were availed for my review. Under the circumstances, and given the fact that the audit of these special donor funding is outside the mandate of the Controller and Auditor General, it has not been possible to confirm that all the receipts into and expenditures charged to these donor funds and reflected in these financial statements were properly accounted for or to ascertain that such expenditure was incurred in accordance with donor agreements.

The Committee heard evidence given by the Chief Executive Institute has since been availing all requisite information an documents relating to these accounts to Kenya National Audit Office Audit.

Whilst taking cognisance of the fact that donor funding, in cash and kind, constitutes 95% of KEMRI's annual research expenditure, the Committee recommends that the Chief Executive makes available to the Controller and Auditor General, all information on all its accounts as and when required in accordance with the Public Audit Act, 2003 and the Science and Technology Act Cap 250.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA MEDICAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE 2006

1. RESIDENTIAL STAFF HOUSING PROJECT

In the Report for 2004/2005, reference was made to the cost of Kshs.120,022,200 incurred on a staff housing project which had stalled being written off without the approval of Treasury and the parent Ministry. As previously reported, the developer of the project using the title document of the land on which the development was taking place borrowed funds from National Bank of Kenya. In an effort to discharge the title, the Government spent Kshs.280 million in 1993 and Kshs.142 million in 2000 towards settling Developers account with National Bank of Kenya. So far, the title has not been discharged. In the circumstances, the propriety of the expenditure written-off amounting to Kshs.120,022,200 and payment to National Bank of Kenya of Kshs.142 million cannot be ascertained. It has, however, been explained that the release of title to the Institute is being followed up by the Treasury and that funds for the completion of the project will be allocated in 2007/2008 and the asset reintroduced back in the Institute's books.

The Committee heard evidence given by the Chief Executive that the Institute entered into an agreement with the developer M/s Cyperr Enterprises Ltd for development of Staff Housing Project on Mbagathi Road, next to Nyayo Highrise Estate in Nairobi which was then estimated to be completed in February 1991 at a cost of Kshs. 165 million. By the time the project stalled in 1993/94 financial year, the Institute had incurred expenditure totalling Kshs.101,727,177 and that the developer, using the title documents of the land on which the development was being undertaken, borrowed funds from the National Bank of Kenya which initially grew to Kshs. 313 million.

The Committee noted that it had deliberated on the matter in its 12th Report page 107. It enquired about the background of the stalled project wherein it was informed that:-

(i) **on or about 7th July 1989, KEMRI approved a proposal by M/s Cyperr Enterprises Limited to purchase a property development on L.R. Number 209/10683 under a purchaser - financed arrangement. The total project cost as per agreement entered in 1990 was Kshs. 165 million;**

(ii) **the funds from the Treasury were not forthcoming as earlier anticipated, thus occasioning delay in the schedule of the housing development. The failure of the Institute to obtain further funding for this project from the Treasury was contributed by the withholding of funding to Kenya by donors especially the World Bank and the IMF;**

(iii) arising from (ii) above, on 23 November 1990, and after approaching the Treasury and the Office of the President, M/s Cypper Enterprises sought permission from KEMRI to use the property to secure a development loan from NBK. Subsequently, approval was given by KEMRI to NBK to charge the property for up to a maximum of Kshs. 50 million. There was a further charge of Kshs. 40 million approved by the Central Government, which was done without consultations with KEMRI. Further, that it was agreed that no withdrawals could take place without the authority of KEMRI;

(iv) KEMRI later learnt that the Treasury had paid a sum of Kshs. 280 million directly to NBK. KEMRI further learnt that this amount effectively cleared the principal sum plus interest for the loan on the M/s Cypper Enterprise's account at the Bank. NBK received and acknowledged the receipt. It also came to their knowledge that this payment formed part of Kshs. 2.4 billion paid out by the Treasury directly to NBK to settle public debt;

(v) in April 1993, after the said sum of Kshs 280 million had been paid, and instead of immediately and unconditionally discharging the title for registration in favour of KEMRI, accommodated further withdrawals amounting to Kshs. 25 million against the account without authority or knowledge of KEMRI;

(vi) an inter-Ministerial Committee, formed by the Government to resolve the problem facing the project, recommended that Treasury pays National Bank of Kenya an amount of Kshs. 160 million in order to release the title. As a result the Institute received Kshs. 142 million in the 1999/2000 financial year to settle the outstanding account; and

(vii) in about May 1993, M/s Cypper Enterprises was put under receivership, thus making it unable to negotiate or service its financial obligations.

The Committee noted that, arising from its recommendations in the 12th Report page 110:

(i) the amount of Kshs.93,704,800 which was held by the Institute's lawyers M/s Sande Makhandia & Co. Advocates has since been refunded and retained for utilization towards completion of the project;

(ii) amount of Kshs.26,166,808 which was held by lawyers has since been remitted to the Institute's bank. The difference of Kshs.128,392.25 was deducted by the said lawyers as collection fees; and

(iii) the Director of the Institute has since reported M/s Sande Makhandia & Co. Advocates, M/s Rachier & Co. Advocates to the Advocates Complaint Commission for professional misconduct by abetting loss of client's money. The action of the Commission is awaited;

The Committee also noted with grave concern that: -

(i) the Commission of Police is yet to act on its recommendation in the 12th Report page 110 regarding investigation on forged receipts presented to the Institute by M/s Sande Makhandia & Co. Advocates and M/s Rachier & Co. Advocates ostensibly in support of payment of Kshs.27,327,697 to the city council and the Ministry of Lands as Council rates and Land rent, respectively, for the plot No. L.R. 209/10683; and

(ii) despite its recommendation in the said 12th Report, the government is yet to intervene to have National Bank of Kenya to discharge the title deed in respect of L.R. 209/10683 to allow completion of the Housing project.

The Committee held consultative meetings with Permanent Secretaries in the Ministries of Finance and Health, the Investment Secretary and the management of the Institute wherein the Ministry of Finance was asked to intervene on the matter. In line with the proposal of the Committee, the Permanent Secretary in the Ministry of Finance vide letter REF: Conf. 268/03 of 6th February 2007 conveyed to the Committee that:-

(a) he had asked the Permanent Secretary Ministry of Health to instruct the Director of the Institute (in consultation with the Ministry of Roads and Public Works), to undertake an evaluation of the budgetary requirements for the completion of the project. Based on this evaluation, the quantum of the resources required to finalise the project will be identified and be factored in the budget estimates for the financial year 2007/08; and

(b) the Ministry of Health would take the lead in the overall management of the project in order to avoid past mistakes.

The Permanent Secretary, Ministry of Health informed the Committee that his Ministry had factored in the budgetary requirements of the project in the Ministry's budget for the year 2007/2008. The project would be funded in two phases, since it is estimated to take 11 months, that would spill over to 2008/2009 financial year.

Accordingly, the Committee recommends that:

(i) the Permanent Secretary in the Ministry of Finance ensures that the budgetary requirements for the completion of the project is factored in the budget estimates for the financial year 2007/2008, and 2008/2009 to be presented before the House;

(ii) the Ministry of Health takes the lead in the overall management of the project;

(iii) in line with recommendations (i) above, the government ensures that the National Bank of Kenya discharges the plot of L.R. 209/10683;

(iv) the Chief Executive ensures that the Institute reintroduces the Plot of L.R. 209/10683 in its assets as soon as practicable possible; and

(v) the Commissioner of Police and the Director of Kenya Anti-Corruption Commission expedites investigation on the matter of fictitious receipts in support of Kshs.27,327,697 presented by M/s Sande Makhandia & Co. Advocates and M/s Rachier & Co. Advocates ostensibly in support of payment to the Nairobi City Council and the Ministry of Lands as Council rates and Land rent respectively for the plot No. L.R. 209/10683.

2. RECEIVABLES – KSHS.44,492,873

The receivables of Kshs.44,492,873 as at 30th June 2006 exclude debtors amounting to Kshs.26,295,200 purportedly paid by an advocate who had earlier owed the Institute Kshs.120 million. The institute has not, however, provided verifiable documents to substantiate the receipt of the payment of Kshs.26,295,200. In addition, there is no evidence to indicate that the advocate was ever charged interest on the deposit which he held since April/May 2000. In the circumstances, the receivables balance of Kshs.44,492,873 is understated by the amount due from the Institute's lawyer amounting to Kshs.26,295,200 and undetermined interest payable on the total amount of Kshs.120 million since April/May 2000.

The Committee heard evidence given by the Chief Executive that amount of Kshs.122,430,444 appeared under debtors schedule because the full amount had not been collected from the debtors and that the management considered it prudent to recognise the total debt until realised in full.

The Committee also heard that the amount was held in call and not interest bearing account and that the balance owing from the Institutes' lawyers totalling Kshs.26,166,808 has since been remitted to the Institutes' bank account and supported by credit advices.

Whilst observing that the audit reservation was raised by the Controller and Auditor General pursuant to its recommendation in the 12th Report in the matter

of Institute's staff Housing Project, the Committee noted that difference of Kshs128,392.25 was deducted by the lawyers as collection fees and acknowledged by receipted bill. The audit issue therefore stands resolved.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE CHEMELIL SUGAR COMPANY LTD AS AT 30 JUNE 2004

Without qualifying my report, I draw attention to note 28 of the financial statements relating to the Company's operations which indicates that the shortfall between the current assets and liabilities of Kshs.509,411,142 is, in the opinion of the directors, a temporary phenomenon that will not impair the operations of the Company in both the short and medium term. The Company expects to revert to profitability from the next financial year as a result of enhanced operational efficiency. In addition, the Company is currently servicing all its borrowings on schedule and expects to receive an additional loan from the Sugar Development Fund (SDF) of Kshs.95 million, which has already been approved by the lender

The Committee heard evidence given by the Chief Executive that the shortfall between the current assets and liabilities of Kshs. 509,411,142 as recorded on note 28 of the financial statements of the year under review is a temporary phenomenon. The Committee further heard that the company expected to revert to profitability in the year 2004/2005 as it had enhanced its operational efficiency and was also expecting a loan of Kshs. 95 million from the Sugar Development Fund (SDF).

The Committee noted that:-

(i) the Company has continued to experience cash flow constraints which may be attributed cane shortages since the Company had not been promptly paying cane farmers and harvesting on underage cane with less sugar content and low yields; and

(ii) the Company's sugar production for the year under review was 10% lower than that of the previous year

The Committee was informed that the management has since taken the following steps to improve the financial position of the Company:-

(i) maintenance and rehabilitation of the factory in the year 2003/2004 leading to improved efficiency;

(ii) development of a strategic plan that envisions increased sugar production by increasing factory crushing capacity from the present level of 135TCH to 175TCH, diversifying and creating new product lines for increased profitability. The Company also plans to enter the power co-generation; and

(iii) setting up an aggressive cane development programme from July 2003 aimed at bringing additional 27,000 ha of land under cane in the Company's zone in the year 2005/2006.

The Committee also noted that the Company has managed to return to profitability in the year 2004/2005 as it recorded profit before tax of Kshs. 58,302,457.

The Committee recommends that:-

(i) the management puts in measures to ensure that the Company maintains profitability and pays cane suppliers promptly; and

(ii) Sugar Development Fund releases a balance of Kshs. 95 million to enable the Company undertake factory rehabilitation.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE CHEMELIL SUGAR COMPANY LTD AS AT 30 JUNE 2005

Without qualifying my opinion, I draw attention to note 27 to these financial statements which explains that, as at 30th June 2005, the Company's current liabilities exceeded current assets by Kshs.517,848,877 (2004 – Kshs.509,411,142). The Directors are however of the opinion that this is a temporary phenomenon that will not impair the operations of the Company in both the short and medium term. The Company has reverted to profitability as a result of enhanced operational efficiency. In addition, negotiations are on going between Sugar Board and the Company to restructure the Sugar Development Fund (SDF) loans which amounted to Kshs.465,117,690 as at 30 June 2005. The financial statements have therefore, been prepared on the going concern basis which assumes successful outcome of the on-going negotiations and continued financial support form the related parties.

EMPHASIS OF MATTER

The Committee heard evidence given by the Chief Executive that the shortfall between the current assets and liabilities of Kshs. 509,411,142 as recorded on note 28 of the financial statements of the year under review is a temporary phenomenon. The Committee further heard that the Company reverted to profitability in the year 2004/2005 due to enhanced operational efficiency and that it was expecting a loan of Kshs. 95 million from the Sugar Development Fund (SDF).

The Committee noted that:-

(i) **the Company has continued to experience cash flow constraints which may be attributed cane shortages since the Company had not been promptly paying cane farmers and harvesting on underage cane with less sugar content and low yields; and**

(ii) **the Company's sugar production for the year under review was 10% lower than that of the previous year**

The Committee was informed that the management has since taken the following steps to improve the financial position of the Company:-

(i) **maintenance and rehabilitation of the factory in the year 2003/2004 leading to improved efficiency;**

(ii) **development of a strategic plan that envisions increased sugar production by increasing factory crushing capacity from the present level of 135TCH to 175TCH, diversifying and creating new product**

lines for increased profitability. The Company also plans to enter the power co-generation; and

(iii) setting up an aggressive cane development programme from July 2003 aimed at bringing additional 27,000 ha of land under cane in the Company's zone in the year 2005/2006.

The Committee also noted that the Company has managed to return to profitability in the year 2004/2005 as it recorded profit before tax of Kshs.58,302,457.

The Committee recommends that:-

(i) the management puts in measures to ensure that the Company maintains profitability and pays cane suppliers promptly; and

(ii) Sugar Development Fund releases a balance of Kshs. 95 million to enable the Company undertake factory rehabilitation.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE EXPORT PROCESSING ZONES AUTHORITY FOR THE YEAR ENDED 30 JUNE 2000

1. DEBTORS AND PREPAYMENTS

The Balance Sheet Debtors and Prepayments figure of Kshs.90,248,821 as at 30 June 2000 comprises mainly of rent and water debtors of Kshs.52,964,656 and Kshs.26,482,084 respectively. The rent and water debtors further include debtors totaling Kshs.36,038,145 – against two organizations some of which have been outstanding since the Authority's inception in 1990. The recoverability of these debts is, therefore, clearly doubtful.

The Committee heard the evidence given by the Chief Executive that the Authority's Balance Sheet for the year under review included an amount of Kshs. 90,248,821 which comprised of being rent and water debtors of Kshs. 52,964,656 and Kshs. 26,482,084, respectively.

The Committee further heard that:-

(i) **the M/s. Transflet EPZ which owed the Authority cumulative rent of Kshs. 36,038,145.00 settled the debt in April 2005;**

(ii) **the Authority has since entered into an agreement with Mavoko Municipal Council for payment of the outstanding water supply balance of Kshs.17,290,533. The Council agreed to settle the debt in monthly instalments of Kshs. 1,125,000**

(iii) **the Authority has been pursuing settlement of rent debts owed by the following firms:-**

Tenant	Outstanding Rent
Kenya Post Office Savings Bank	Kshs. 22,858
Trisatar EPZ	Kshs. 8,556,504
Newcal Technologies	Kshs. 310,401
Nodor EPZ	Kshs. 672,750
Kenap EPZ	Kshs. 334,854
Eltex EPZ	Kshs. 2,006,063
Lama EPZ	Kshs. 1,746,859
Yarena EPZ	Kshs. 1,047,721
Mohaba EPZ	Kshs. 4,321,425
1st Manufacturing	Kshs. 14,281,607
Ivee Aqua	Kshs. 238,719
Lureflash	Kshs. 709,178

The Committee was also informed that the M/s. Kenap has since relocated from the Zones.

The Committee recommends that the Chief Executive:-

(i) employs all cost effective means possible to recover the outstanding rent arrears including those owed by M/s. Kenap, within the times frames that do not expose the Authority to limitations of actions under the law; and

(ii) institutes measures to ensure that tenants do not default in paying rent.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE EXPORT PROCESSING ZONES AUTHORITY FOR THE YEAR ENDED 30 JUNE 2001

1. STAFF COSTS

During the year ended 30 June 2001 the Authority's staff costs increased by Kshs.35,983,700 or 44.8% from Kshs.80,271,172 in 1999/2000 to Kshs.116,254,971. Although evidence seen during the audit indicated that the Authority's Board of Directors sitting on 17 September 2000 recommended staff salaries and allowances to be improved subject to an approval being obtained from both the parent Ministry and the Treasury no such approval was availed for the audit review. In the circumstances, therefore, it was not possible to confirm that the expenditure arising from the revised staff salaries and allowances had the necessary authorization and therefore, constitutes proper a charge to public funds.

The Committee heard the evidence given by the Chief Executive that salary increment at an average rate of 44% was effected in the year under review on approval of the EPZA Board's sitting of 17th December, 1996 and in accordance with the Export Processing Zones Authority Act (Cap 517) Section 7(2).

The Committee further heard that the advances had also been approved by the Minister for Commerce and Industry following which funds were provided for and included in the printed estimates.

The Committee recommends that all future increases in salaries should be done in accordance with the provision of the State Corporations Act, Cap 446.

2. BUDGETARY CONTROL

During the year under review, the Authority overspent its budget on six items of expenditure by Kshs.48,715,391 without approval from the parent Ministry, the Treasury or even its own Board of Directors. Most of the over-expenditure of Kshs.33,130,399 or 68% was due to the increase of staff salaries, house and other allowances referred to in paragraph 1 above, which were effected without the Government approval. Further, scrutiny of available records indicated that the over-expenditure of Kshs.48,715,391 greatly contributed to the Authority's poor operating results of an overall loss of Kshs.47,851,290 compared to a profit of Kshs.20,765,217 made in the previous year. In the absence of relevant approvals from Government I am unable to confirm the propriety of the total over-expenditure of Kshs.48,715,391 incurred by the Authority.

The Committee heard the evidence given by the Chief Executive that the Authority overspent a total of Kshs. 48,715,391 against six items, which included salaries, wages and house allowances.

The Committee expressed concern that management of the Board overspent the budget without the approval of the parent Ministry and Treasury.

The Committee noted that the Authority has since been operating within the approved budget.

The Committee recommends that the Chief Executive regularises the over-expenditure of Kshs. 48,715,391.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE EXPORT PROCESSING ZONES AUTHORITY FOR THE YEAR ENDED 30 JUNE 2002

CLEAN REPORT

The Committee noted that the accounts of the Authority for the year ended June 30, 2002 received an unqualified opinion of the Controller and Auditor General.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA UTALII COLLEGE FOR THE YEAR ENDED 30 JUNE 1999.

1. OVERSTATEMENT OF INCOME

In the report for the year 1997/98, concern was expressed regarding the College's incorrect recognition in its Accounts of income based on budgeted amounts instead of the amounts actually receivable from Catering Training and Tourism Development Levy Trustees (CTTDLT). In the year 1998/99, the College again recognized as revenue Kshs.267,500,000 from CTTDLT while the actual confirmed receipts from CTTDLT for the year was Kshs.221,903,395. The College's income for the year was, therefore, overstated by Kshs.45,596,605. The erroneous treatment in these Financial Statements of the above amount of Kshs.45,596,605 as receivable has had the effect of overstating both the net surplus and the debtors balance and has also distorted the financial position of the College as at 30 June 1999.

The Committee heard evidence given by the Chief Executive that during the year under review, the College incorrectly recognised income from Catering Training and Tourism Development Levy Trustees (CTTDLT) of Kshs.267,500,000 based on the budgeted amounts instead of the actual amount received of Kshs. 221,903,395.

The Committee was further informed that the overstatement of the net surplus and the debtor's balance by Kshs. 45,596,605 was re-instated in the 1999/2000 financial year thereby resolving the audit query.

2. DEBTORS, DEPOSITS AND SPECIAL ACCOUNTS

Also included in the Balance Sheet Debtors, Deposits and Special Accounts balance of Kshs.173,380,810 as at 30 June, 1999 is Kshs.101,589,383 stated to be due from Catering Training and Tourism Development Levy Trustees arising from revenue under-remittances for the years 1997/1998 and 1998/1999. The Catering Levy Trustees have, however, only confirmed an amount of Kshs.4,585,445 as owing as at 30 June 1999. The Debtors Account is, therefore, overstated by Kshs.97,003,938. Also included in Debtors, Deposits and Special Accounts figure of Kshs.173,380,810 is Kshs.22 million said to be owed by Government of Kenya in respect of grants not received although provided for in the Government Estimates for 1997/1998. Available information indicates that the parent Ministry does not recognize the existence of the debt. The overall effect of the erroneous recognition in the Accounts of non-receivable income is, therefore, to overstate the Debtors, Deposits and Special Accounts by Kshs.119,003,939 as at 3 June 1999. Had the amount been properly treated in these Accounts, the positive working capital balance of Kshs.109,404,036 reflected in the Accounts of the College for 1998/99 would have translated to a negative balance of Kshs.9,599,902.

The Committee heard evidence given by the Chief Executive that the Balance Sheet as at 30th June 1999 on Debtors', Deposits and Special Accounts were over-stated by the total amount of Kshs.119,398,000. This amount was in respect of Kshs. 97,398,000 and Kshs. 22 million ostensibly due from Catering Training and Tourism Development Levy Trustees (CTTDLT) and the Government of Kenya grants, respectively.

The Committee further heard that the overstated amounts totalling Kshs. 119, 398,000 was re-instated in the 1999/2000 financial year and verified by the Controller and Auditor General, thereby resolving the audit query.

3. FIXED ASSETS

The College owns five (5) parcels of land, four of which are located along Thika Road and the other at Kilifi. The College, however, holds no ownership titles to the four pieces of land along Thika Road. In the absence of the title deeds, the College's ownership of these parcels of land cannot be confirmed.

The Committee heard evidence given by the Chief Executive that the College has since acquired title deed for three (3) of its parcels of land, two (2) of which are along Thika Road while one (1) is at Kilifi.

The Committee was informed that the management of the College is at an advanced stage of pursuing issuance of ownership documents for plot L.R. No.20766,Thika Road.

The Committee recommends that the Chief Executive expeditiously pursues issuance of title deeds for plot L.R. No.20766,Thika Road on which Utalii College and Hotel are situated. This should be done not later than December 31st, 2007.

4. IRREGULAR PAYMENT OF SITTING ALLOWANCES

In the year 1998/99, the College paid sitting allowances totaling Kshs.72,000 to nine public officers in receipt of salary contrary to provisions of Section 10(1) of the State Corporations Act (Cap 446).

The Committee heard evidence given by the Chief Executive that during the year under review the College paid sitting allowances totalling Kshs. 72,000 to the following nine (9) public officers in receipt of salary contrary to provisions of Section 10(1) of the State Corporations Act (Cap 446): -

Name	Office/Designation	Irregular sitting Allowance Paid
J.J. Mwai	Deputy Secretary, Ministry of Tourism and Wildlife	Kshs. 8,000
Mwakai Sio	Principal College	Kshs. 16,000
Mrs. Byama	Representing Treasury	Kshs. 12,000
P.K. Njagi	Ministry of Tourism and Wildlife	Kshs. 4,000
Prof. Olive Mugenda	Board Member	Kshs. 12,000
J.J. Makhoha (Deceased)	Representing CTTDLT	Kshs. 4,000
D.Okundi (Deceased)	Board Member	Kshs. 4,000
H.S. Mohammed	Representing Treasury	Kshs. 4,000
Rose Boit	Board Member	Kshs. 8,000
Total		Kshs. 72,000

The Committee recommends that the Chief Executive of the College ensures recovery of the Kshs.64,000 irregularly paid to the following officers contrary to provisions of Section 10(1) of the State Corporations Act (Cap 446). This should be done by December 31st, 2007:-

Name	Office/Designation	Irregular sitting Allowance Paid
J.J. Mwai	Deputy Secretary, Ministry of Tourism and Wildlife	Kshs. 8,000
Mwakai Sio	Principal College	Kshs. 16,000
Mrs. Byama	Representing Treasury	Kshs. 12,000
P.K. Njagi	Ministry of Tourism and Wildlife	Kshs. 4,000
Prof. Olive Mugenda	Board Member	Kshs. 12,000
H.S. Mohammed	Representing Treasury	Kshs. 4,000
Rose Boit	Board Member	Kshs. 8,000

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA UTALII COLLEGE FOR THE YEAR ENDED 30 JUNE 2000.

1. FINANCIAL PERFORMANCE

During the year under review, the College realized a deficit of Kshs.7,809,832 which would have been higher if the College had accrued the interest amounting to Kshs.21,026,836 on Government loan as per the signed agreement. This, together with a prior year adjustments of Kshs.126,446,671, reduced the College's accumulated fund of Kshs.594,921,667 in 1999 to Kshs.460,665,164 as at 30 June 2000. The College is therefore, apparently facing financial problems and its continued operations as a going concern will continue to depend on the support of the Government and its lenders.

The Committee heard evidence given by the Chief Executive that during the year under review, the College was facing financial problems as evidenced by the deficit of Kshs. 7,809,832 and regular use of bank overdraft. Further, the College did not service the loan of Kshs. 140 million from the Government and failed to accrue interest on the same due to financial difficulties.

The Committee was informed that the college has now requested the government to convert this loan to a grant in view of the fact that the College is a public institution and not a profit-making organisation. This request has received positive government response, which has lead to the preparation of a joint cabinet memorandum by the Ministry of Finance and the Ministry of Tourism and Wildlife requesting for the loan to be converted to a grant. The cabinet is yet to approve the memorandum.

The Committee recommends that the Government converts the loan of Kshs. 140 million owing from Kenya Utalii College into a grant.

The Committee further recommends that the College's Board explore alternative ways of raising revenue.

2. LOAN FROM THE GOVERNMENT OF KENYA

The Balance Sheet as at 30 June 2000 reflects an amount of Kshs.140,000,000 being a loan given to the college by Government in February 1996 for refurbishment of Kenya Utalii Hotel. The final portion of Kshs.34,867,320 of the loan of Kshs.140,000,000 from Government during the year under review was received. The College, however, utilized the amount of Kshs.34,867,320 in financing some of its outstanding recurrent expenses instead of refurbishing the Hotel as provided in the loan agreement. Although the loan agreement signed in 1996, provided that the loan would be repaid together with interest at the rate of 20% per annum in twenty (20) semi-annual consecutive installments, available records show that the College has not been serving the loan

together with the accrued interest and has also, over the years, failed to reflect the accrued interest in the College's books of account. The College has not given satisfactory reasons for non-servicing of the capital loan as well as its failure to accrue interest on the loan in its books of account.

The Committee heard evidence given by the Chief Executive that during the year under review, the College did not service the loan of Kshs. 140 million from the Government and failed to accrue interest on the same due to financial difficulties. Further, the College spent a total of Kshs. 34,867,320 from the GoK loan to refurbish the Kenya Utalii Hotel. This was due to the fact that the GoK loan was the only source of funds that the College would have relied on to fund its operations and capital projects.

The Committee was informed that the college has now requested the government to convert this loan to a grant in view of the fact that the College is a public institution and not a profit-making organisation. This request has received positive government response, which has lead to the preparation of a joint cabinet memorandum by the Ministry of Finance and the Ministry of Tourism and Wildlife requesting for the loan to be converted to a grant. The cabinet is yet to approve the memorandum.

The Committee recommends that the government convert the loan of Kshs. 140 million owing from Kenya Utalii College into a grant.

3. FIXED ASSETS

The College has not been able to obtain title deeds for its two parcels of land situated along Thika Road. In the absence of title deeds, it has not been possible to confirm that the College owns the two parcels of land.

The Committee heard evidence given by the Chief Executive that the College has since acquired title deed for one of its parcels of land, along Thika Road while the management of the College is at an advanced stage of pursuing issuance of ownership documents for plot L.R. No.20766,Thika Road.

The Committee recommends that the Chief Executive expeditiously pursue issuance of title deeds plot L.R. No.20766, Thika Road on which Utalii College and Hotel are situated. This should be done by December 31, 2007

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF THE AGRICULTURAL FINANCE CORPORATION FOR THE YEAR ENDED 30 JUNE 2001

1. FINANCIAL POSITION

During the year ended 30 June 2001, the Corporation recorded a loss of Kshs.227,830,000 compared to a profit of Kshs.46,023,000 realized in the previous year. The Balance Sheet reflects a negative working capital of Kshs.871,550,000 and negative General Reserve of Kshs.919,526,000 compared to a negative working capital of Kshs.752,350 and negative General Reserve of Kshs.691,564,000 reflected respectively in the previous year. The Corporation is therefore technically insolvent and its existence as a going concern is dependent upon the support from the Government and its lenders. Although Parliament, in August 2002, approved a Sessional Paper on restructuring the Corporation, the process has not been concluded.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation realized a loss of Kshs.227, 830,000 and the recorded a negative working capital of Kshs. 871,550,000 making it technically insolvent.

The Committee was informed that the loss of Kshs. 227,830,000 was occasioned by a high provision for bad and doubtful loans which pushed the cumulative loss in respect of the fund to Kshs.855,198,781.

The Committee further heard that the Government, through Sessional Paper No.1 of 2002, approved a restructuring of the Corporation Books of Accounts that was effected in the Corporation's Accounts for the year 2002/2003.

The Committee noted that due to the restructuring of the AFC, out of Kshs.1,778,224,773 due to the G.O.K, an amount of Kshs.1,135,140,664 was written off, while Kshs.468,537,975 was converted into equity and a balance of Kshs.174, 546,137 retained as G.O.K. loan to the Corporation.

The Committee recommends that: -

(i) the Chief Executive ensures that the Sessional Paper No.1 of 2002 on Financial Restructuring of AFC is implemented so as to achieve its intended purpose of turning around the Corporation; and

(ii) the Chief Executive ensures that the Corporation is self-sustaining.

2. LOAN ARREARS FROM FARMERS

As previously stated, the recoverability of the large and small scale loans from farmers during the year remained unsatisfactory. The outstanding balance of loans and accrued interest from farmers stood at Kshs.5,023,261,000 as at 30 June 2001 compared to a balance of Kshs.4,373,098,000 in 1999/2000. The very high provision for bad and doubtful debts of Kshs.1,726,141,000 made in the Corporation's Accounts against the farmers outstanding loans as at 30 June, 2001 suggests that a substantial portion of these loans are considered irrecoverable and may, therefore have to be written off. Unless the trend and level of loan recovery is given serious attention, the operation of the Corporation is likely to be adversely affected.

The Committee heard the evidence given by the Chief Executive that the Corporation, during the year under review, failed to recover large and small-scale loans totalling Kshs.5,023,261,000 including accrued interest as at June 30, 2001.

The Committee was informed that the loan amounting to Kshs.5,023,261,000 was written off when Sessional Paper No.1 of 2002 was implemented and the same has since been reflected in the 2002/2003 Accounts of the Corporation, thereby resolving the audit query.

3. FIXED ASSETS

The Fixed Assets balance of Kshs.938,606,000 as at 30 June 2001 includes land valued at Kshs.8,683,000 out of which three parcels valued at Kshs.321,559 have no title deeds as the Corporation has not taken proactive action to obtain them, even though land survey had been done way back in 1996/97. In the absence of title documents, I am not in a position to confirm the ownership of the land.

The Committee heard the evidence given by the Chief Executive that the Corporation has since obtained title deeds for its parcels of land in Kisumu while the management is pursuing issuance of title documents for its parcels in Bomet and Kerugoya.

The Committee recommends that the Chief expeditiously purses issuance of ownership documents for its parcels of land at Bomet and Kerugoya that were donated by the respective local authorities.

4. UNPAID RENT ARREARS

The Corporation is a joint owner of the Development House, Nairobi, with the Agricultural Development Corporation (ADC). In that capacity it is owed rent arrears amounting to Kshs.16,944,631 being its share of rent arrears totaling Kshs.33.795,721. It has been explained that most of the arrears date from 1998/99. This casts doubt on

the recoverability of the outstanding amount especially when there are not definite arrangements for recovery in place.

The Committee heard the evidence given by the Chief Executive that the Corporation which, jointly with ADC owns Development House, was owed rent arrears totalling Kshs. 16,944,613 as at June 30, 2001. Further, the Committee was informed that:-

(i) until May, 2003, the property was managed by M/s. Lustman & Company owned by Esther Mathenge and Natalie Njanja Mathenge who defaulted remitting rent to the Corporation to the tune of Kshs. 29 million as at the time of termination. Subsequently, the Corporation sued the agent vide HCCC 134 of 2004 for recovery of the un-remitted amount. The case was yet to be determined as at February, 2007;

(ii) the Corporation has since employed a property manager within its service to manage the property.

The Committee recommends that the Chief Executive closely follows the case HCCC No. 134 of 2004 against M/s. Lustman & Company and ensures that the agent pays un-remitted rent in respect of Development House.

REPORT OF CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF AGRICULTURAL FINANCE CORPORATION FOR THE YEAR ENDED 30 JUNE, 2002

1. FINANCIAL POSITION

During the year, ended 30 June, 2002 the Corporation realized a profit of Kshs.123,758,000 compared to a loss of Kshs.227,830,000 in the previous year. However, inspite of the profit realized, the Balance Sheet still reflects negative working capital of Kshs.628,036,000 and negative General Reserve balance of Kshs.786,957,000. The Corporation was therefore technically insolvent and was unable to service its obligations as they fell due. Although the Government obtained approval by Parliament through Sessional Paper in August 2002 to restructure the Corporation in order to improve its poor financial position, the restructuring has not been concluded since. The financial statements have, therefore, been drawn on a going concern basis on the assumption that the Corporation will continue to get support from creditors, lenders and the Government.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation realized a loss of Kshs.227, 830,000 and the recorded a negative working capital of Kshs. 628,036,000 making it technically insolvent.

The Committee further heard that the loss of Kshs. 227,830,000 was occasioned by a high provision for bad and doubtful loans amounting to Kshs. 227 ,830,000 which pushed the cumulative loss in respect of the fund to Kshs.855,198,781.

The Committee was informed that the Government through the Sessional Paper No.1 of 2002 approved a restructuring of the Corporation Books of Accounts that was effected in the Corporation's Accounts for the year 2002/2003.

The Committee noted that due to the restructuring of the AFC, out of Kshs.1,778,224,773 due to the G.O.K, an amount of Kshs.1,135,140,664 was written off, while Kshs.468, 537,975 was converted into equity and a balance of Kshs.174, 546,137 was retained as G.O.K. loan to the Corporation.

The Committee recommends that: -

(i) **the Chief Executive should ensure that the Sessional Paper No.1 of 2002 on financial restructuring of AFC is implemented so as to achieve its intended purpose of turning around the Corporation; and**

(ii) **the Chief Executive ensures that the Corporation is self-sustaining.**

2. LOAN TO FARMERS

As pointed out in previous years' reports, recovering of the large and small scale loans from farmers has remained unsatisfactory. The outstanding balance of loans and accrued interest from farmers stood at Kshs.5,780,961,000 as at 30 June, 2002 compared to Kshs.5,023,261,000 the previous year. The very high provision for bad and doubtful debts of Kshs.2,081,307,000 or 36% made in the Corporation's accounts is a clear indication that a substantial portion of loans and interest may not be recovered and may have to be written off. Further, it was observed that although loans should be fully secured, the securities offered did not fully cover the loans issued.

The Committee heard the evidence given by the Chief Executive that the Corporation, during the year under review, failed to recover large and small-scale loans totalling Kshs. 5,023,261,000 including accrued interest as at June 30, 2002.

The Committee was informed that the loan amounting to Kshs. 5,023,261,000 was written off when Sessional Paper No.1 of 2002 was implemented and the same has since been reflected in the 2002/2003 Accounts of the Corporation, thereby resolving the audit query.

3. PROFESSIONAL CONSULTANCY KSHS.1,502,000

The Corporation appointed a firm of consultants to value the Corporation's buildings for insurance purposes at a cost of Kshs.1,501,920.15. However, it was not clear how the consultants were identified for commissioning and further the Board's approval was not seen. Under the circumstances, therefore, the propriety of the expenditure incurred on the valuation of the buildings could not be confirmed.

The Committee heard the evidence given by the Chief Executive that during the year under review, the then Managing Director of the Corporation Mr. Gideon Toroitich, in disregard of public procurement procedures, appointed M/s. Mungi Consultants to value the Corporation's properties for insurance purposes at a contract fee of Kshs. 1,501,920.15.

The Committee was also informed that the management of the Corporation has since forwarded the matter to the Inspectorate of State Corporations for surcharge.

The Committee recommends that:-

(i) **the Inspector General (Corporations), surcharges Mr. Gideon Toroitich, former Chief Executive of ADC the amount of Kshs.1,501,950.15 expended through the irregular appointment of M/s. Mungi Consultants; and**

(ii) **the Chief Executive ensures that procurement of goods and services at the Corporation is in accordance with the Public Procurement Disposal Act, 2005.**

4. IRREGULAR PAYMENT OF MEDICAL EXPENSES

The Corporation's medical expenses increased by Kshs.7,004,000 from Kshs.7,488,000 to Kshs.14,492,000 or 94% as at 30 June, 2002. The sharp increase was mainly due to irregular payments totaling Kshs.5,850,237 made to the former Managing Director to meet medical expenses incurred by a relative. The Corporation's attempt to have the ex-Managing Director refund the irregular payments have not been successful. Under the circumstances, the propriety of Kshs.5,850,237 incurred on medical expenses could not be confirmed.

The Committee heard evidence given by the Chief Executive that during the year under review, the Corporation recorded a 94% increase in medical expenses or Kshs. 7,004,000.

The Committee further heard that the sharp increase was attributed to irregular payments totalling Kshs.5,850,237 made to the former Managing Director Mr. Gideon Toroitich to meet medical expenses incurred by his relative.

The Committee was informed that, the Inspector General (Corporations) has since effected surcharge on the said former Managing Director and recovered the irregular medical expenses thereby resolving the matter.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE AGRICULTURAL FINANCE CORPORATION FOR THE YEAR ENDED 30TH JUNE, 2003

1. LOAN TO FARMERS

Recovery of large and small loans did not improve appreciably and the outstanding loan balance and accrued interest stood at Kshs.3,839,908,000 as at 30 June 2003. The high provision for bad and doubtful debts of Kshs.1,437,983,000 made in the financial statements is a clear indication that substantial portion of the loans may not be recovered and may have to be written off. Further, four companies owned by ex-staff members have not been servicing their loans and huge arrears totaling Kshs.45,886,476.90 remain outstanding. Although loans should be fully secured, the securities offered did not fully cover the loans issued to farmers.

The Committee heard the evidence given by the Chief Executive that the Corporation, during the year under review, failed to recover large and small-scale loans totalling Kshs. 3,839,908,000 including accrued interest as at June 30, 2003.

The Committee further heard that:-

(i) **the loan amounting to Kshs. 5,023,261,000 was written off when Sessional Paper No.1 of 2002 was implemented and the same has since been reflected in the 2003/2004 Accounts of the Corporation; and**

(ii) **the management has since instituted recovery strategies which include interest concessioning and use of debt collectors to recover the amount of Kshs. 45,886,476.90 owed by the following four companies which were owned by ex- staff members of the Corporation:-**

Name of the Company	Ex- staff name and position held	Directors	Loan Balance as at 30.01.06 (Kshs)	Payments as at 30.01.06 (Kshs)
Rijman Co. Ltd	Mary Onyango (Ag. Financial Controller)	R.O Onyango M. Onyango (Mrs) J. Onyango (Mrs)	36,059,098	304,000
Nirosim Farm Ltd	Nicholas Simani (Principal Sports Complex Langata)	Nicholas Simani Rose Simani	23,655,649	610,000
Emkwen Pharmacy	Silas Kiplagat (Loan Officer)	Silas Kiplagat Mary Kiplagat	10,783,744	1,861,364

Nguru Munyiri Co. Ltd.	Michael M. Gichuki (Technical Officer)	Michael M. Gichuki Anthony Nguru	11,967,626	-

The Committee was also informed that: -

(i) investigations have since revealed that plot L.R. No. 4730/115 (IR 57555) valued at Kshs. 5,000,000, which was security for the Loan of Kshs. 5,407,000 advanced to M/s Rijman Co. Ltd has since been subdivided into 20x1/4 acre plots and sold to unsuspecting developers. 5 of the plots have been developed;

(ii) the Corporation has since identified a buyer (Hon. Akaranga) to purchase land L.R. No. Bungoma/Kabuyefwe/271 measuring 90 acres and valued at Kshs. 8,770,000 in April 2003, to offset part of the outstanding loan due from M/s Nirosim Farm Ltd. The property was a security to the loan;

(iii) the Corporation considers disposing off land L.R No. Kitale Municipality Block 15/ (Koitogos)/233 measuring 7.746 ha. and valued at Kshs. 19,968,000 in March 2004 to offset part of the outstanding loan due from M/s Emkwen Pharmacy. The property was a security to the loan; and

(iv) the Corporation is considering acquiring and selling by private treaty Land L.R. No. Makuyu/Kambiti/Block 1/79 of 19.5 acres valued at Kshs. 1,100,000 as at April 2006 to offset part of the outstanding loan due from M/s Nguru Munyiri Co. Ltd. The property was a security to the loan.

The Committee observed with concern that:-

(i) successive managements of AFC have been gravely inept in recovering loans owed to the Corporation even when such loans were secured. This ineptness is likely to cause the Corporation to incur losses as the principal and interest on some of the loans may have exceeded market values of the securities; and

(ii) it was criminal for the directors M/s Rijman Co. Ltd R.O Onyango, M. Onyango, J. Onyango to sell land L.R. No. 4730/115 (IR 57555) when the parcel had been used as a security to a loan;

The Committee recommends that the Chief Executive of AFC: -

(i) expeditiously recovers all outstanding loans including those made to companies owned by ex-staff members. The Chief Executive should employ all cost-effective means possible to recover the outstanding loans including immediate disposal of the securities against which those loans were made;

(ii) puts caveats on all securities made on its outstanding loans including plot L.R. No. 4730/115 (IR 57555); and

(iii) forwards a report to this Committee by 30th June 2008, indicating progress on implementation of recommendations (i) above.

2. DEBTORS

The debtors figure of Kshs.112,112,000 as at 30 June 2003 is net of provision for bad and doubtful debts of Kshs.166,363,000 which includes an amount of Kshs.106,990,000 being full provision for shares and deposits in Trust Bank Ltd (under receivership). In addition, included in the debtors figure was Kshs.7,716,000 owed by staff that have already left the Corporation. Further, the Corporation was owed rent in respect of Development House, which stood at a staggering figure of Kshs.41,341,846 as at 30 June 2003 equivalent to two years rent. The recoverability of the debts is highly doubtful and the large provision of Kshs.166,363,000 made in the financial statements is evidence of non-recoverability. It would appear that debt collection machinery in the Corporation has been ineffective over the years resulting in debts remaining uncollected.

The Committee heard the evidence given by the Chief Executive that the net debtors figure of Kshs. 112.1 million as at 30th June 2003 in the books of the Corporation, included a figure of Kshs. 7.7 million owed by staff who had left the Corporation. Further, rent owed to Development House stood at Kshs.41.3 million. The outstanding rent was equivalent to two years rent.

The Committee was also informed that: -

(i) the debtors figure net of provision for bad and doubtful debts of Kshs. 166,363,000 included an amount of Kshs. 106,990,000 being full provision for shares and deposits of Kshs. 23,387,893 and Kshs. 83,602,107 respectively, all in Trust Bank Limited (in liquidation);

(ii) the figure of Kshs.7.7 million was an amount owed to the Corporation by the collapsed Kenya National Assurance Company on pension payments made to retirees. The sponsor, as a contributor to the pension fund, subsequently expensed this debt. The same could not be recovered from the pension fund because it is grossly under funded;

(iii) the debt of Development House was traced to 1990's partly due to the bomb blast at the Nairobi American Embassy. Further, the outstanding rent was equivalent to eight (8) months rent and not two (2) years as reported. In this regard, the management has since appointed a team of officers as well as recruiting of a property manager to address the problem. Until May 2003, the property was managed by M/s. Lustman & Company owned by Esther Mathenge and Natalie Njanja Mathenge who defaulted remitting rent to the Corporation to the tune of Kshs. 29 million as at the time of termination. Subsequently, the Corporation sued the agent vide HCCC 134 of 2004 for recovery of the un-remitted amount. The case was yet to be determined as at February, 2007 and;

(iv) with respect to the matters of Trust Bank, the Corporation has operated current accounts, collection accounts and fixed deposit accounts in the bank before it was placed under statutory management. During the time it was under statutory management, the Bank paid Kshs.4,579,719.50 in addition to Kshs. 100,000 that had earlier been paid by the Deposit Protection Fund. The cash shares were converted through a scheme of arrangement by the Bank's statutory manager;

The Committee noted that the deposits and investments in shares of Trust Bank Limited (now collapsed) was done without approval of the parent Ministry and contrary to Treasury Circulars on investments of surplus funds.

The Committee recommends that: -

(i) the Chief Executive closely follow the case No. HCCC 134 of 2004 against M/s. Lustman & Company and ensures that the agent pays the un-remitted rent in respect of Development House; and

(ii) the then Board members and/or Chief Executive of AFC who authorised deposits in the now collapsed Trust Bank Limited be identified and held responsible for the loss of Kshs.106,990,000.

3. DISPOSAL OF ASSETS

3.1 The Corporation valued seventeen (17) unserviceable vehicles and advertised them for disposal in various internal memos. The vehicles were subsequently repaired in unexplained circumstances at a total cost of Kshs.3,305,275. When the Corporation finally disposed off the vehicles, the expenditure on repairs was not taken into account and as a result, the cost of repairs was not recovered. The repairs to the vehicles already earmarked for sale would appear to have been an imprudent decision, since there was not value added to the sale price. The Corporation has not

justified the expenditure of Kshs.3,305,275 incurred on repairs of unserviceable vehicles prior to their disposal.

3.2 Nakuru plot No.L.R.8/22, the property of the Corporation, is occupied by a firm of contractors who pays to the Corporation monthly a paltry sun of Kshs.2,000 in the form of rent. Although the Corporation has made attempts to evict the contractors since 1999, and on 22 May 2003 gave notice to terminate the tenancy under the Land and Tenant Act (Cap 301), the tenants refused to comply with the notice and instead referred the matter to the Rent Tribunal, which has not set a date for hearing.

The Committee heard the evidence given by the Chief Executive that during the year under review the Corporation repaired 17 unserviceable vehicles that had been earmarked for sale.

The Committee further heard that: -

(i) **the then management ostensibly realised that a number of its boarded vehicles has not been sold due to poor conditions. The 17 vehicles were therefore repaired at Kshs. 3,305,275 and approval granted to dispose them off;**

(ii) **the Corporation then valued and disposed them off realising a total of Kshs.2,116,058;**

(iii) **the tenant in respect of land L.R. No.8/22 Nakuru Municipality and who was reported to have had refused to vacate the property has since vacated after successful determination of the matter by the Rent Tribunal. On approval of the parent Ministry on February 1 2006, the Corporation identified a buyer to purchase the property at Kshs. 3.7 million.**

The Committee noted with concern that it was imprudent for the Corporation to fail to incorporate the cost of repairing the 17-boarded vehicles in their resale value. This costed the Corporation the loss of Kshs.1,189,217 being the difference between the cost of repairing the units and the realised value.

The Committee recommends that the then Chief Executive Mr. Gideon Toroitich who authorised disposal of the 17 boarded vehicles be surcharged the amount of Kshs.1, 189,217.

4. PROPERTY MANAGEMENT

The Corporation jointly owns the Development House with Agricultural Development Corporation and manages the building through an agent while the Nakuru Finance

House is similarly managed by another firm owned by the same agent. It was not clear how the two firms were identified, since no competitive bids were invited. The agent started managing Development House with effect from 1st October 2001 and since then, rent arrears have increased from Kshs.40 million to Kshs.41 million as at 30 June 2003. The agent also spent a total of Kshs,13,153,517 or 77% out of 17,114,777 collected contrary to contract terms which limited the amount the agent could spend to 30% of total collections. The Corporation on the other hand spent Kshs.4,522,329 on maintenance and repairs, work that should have been done by the agent in accordance with contract terms. Although the Corporation has explained that it is now managing Development House internally, it is not clear whether any loss incurred previously or any rent collected by the management agent and not remitted to the Corporation was recovered.

The Committee heard the evidence given by the Chief Executive that the Corporation which jointly with ADC owns Development House was owed rent arrears totalling Kshs. 16,944,613 as at June 30, 2003. Further, the Committee was informed that: -

(i) **until May, 2003, the property was managed by M/s. Lustman & Company owned by Esther Mathenge and Natalie Njanja Mathenge who defaulted remitting rent to the Corporation to the tune of Kshs. 29 million as at the time of termination. Subsequently, the Corporation sued the agent vide HCCC 134 of 2004 for recovery of the unmerited amount. The case was yet to be determined as at February, 2007;**

(ii) **the Corporation has since employed a property manager within its service to manage the property.**

The Committee recommends that the Chief Executive closely follow the case No. HCCC 134 of 2004 against M/s. Lustman & Company and ensures that the agent pays un-remitted rent in respect of Development House.

5. IRREGULAR PAYMENTS

In the previous year's report, it was pointed out that the former Managing Director was irregularly paid a total of Kshs.5,850,237 to meet medical expenses on a relative. During the year 2002/2003, additional medical expenses totaling Kshs.712,158 were irregularly paid to the former Managing Director to bring the total amount irregularly paid to Kshs.6,562,395.

The Committee heard evidence given by the Chief Executive that during the year under review, the Corporation made irregular payments totalling Kshs.712, 158 to the former Managing Director Mr. Gideon Toroitich to meet medical expenses incurred by his relative.

The Committee was informed that, the Inspector General (Corporations) has since effected surcharge on the said Managing Director and recovered the irregular medical expenses thereby resolving the matter.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF SAFARICOM LIMITED FOR THE YEAR ENDED 31ST MARCH 2006.

The Committee examined the Annual Report and Financial Statements of Safaricom Ltd for year ended 31st March, 2006 and the certificate thereon by the Controller and Auditor General. The Committee noted that the Report received an unqualified opinion of the Controller and Auditor General as follows:

Opinion

In my opinion, proper books of accounts have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Company as at 31st March 2006, and of its profit and cash flows for the year ended in accordance with the International Financing Reporting Standards and comply with the Company's Act (Cap 486 of the Laws of Kenya)

However, the Committee's attention was drawn to notes 17 and 25 of the Financial Statements whose further examination raised questions related to shareholding of the Company. In execution of its mandate therefore, the Committee considered the following matters: -

1. Notes 17 (Intangible assets) and 25 (related party transactions) as reflected on the Financial Statements; and,

2. Matter of shareholding of Safaricom Ltd.

1. NOTES 17 (INTANGIBLE ASSETS) AND 25 (RELATED PARTY TRANSACTIONS) AS REFLECTED ON THE FINANCIAL STATEMENTS.

The Committee was informed that the figure of Kshs. 4,235,000,000.00 appearing on Notes 17 and 25 related to license fee that was paid to the Communications Commission of Kenya (CCK) for the Telecommunications License issued to Safaricom in the year 2000.

The Committee further heard that: -

(i) the cost of the license was U.S. $. 55 million. At the time, Safaricom did not have sufficient funds to meet the license fees;

(ii) the license fees therefore was met by a loan made by the two shareholders of Safaricom with Telkom (K) Ltd. paying U.S. $ 33 million and Vodafone (K) Ltd. paying U.S. $ 22 million. The amount paid by the two shareholders was in accordance with their respective shareholding strength at Safaricom (Telkom Ltd, 60 % and Vodafone

(K) Ltd, 40%). The loan was provided interest-free and without a specific repayment date;

(iii) the U.S.$ 55million (equivalent to Kshs.4,235,000,000) was capitalized in the books as an Intangible Asset and held on the balance Sheet. It is amortized over the 15 year period;

(iv) the Kshs. 324,757,000 on Note 17 of the Balance Sheet represented the license fee's amortization for the year while the net book value at the end of the period was Kshs. 2,679,247;

(v) the figures shown on Note 25 (i), (ii), (v) and (vi) represented related party transactions carried out during the year ended 31st March, 2006. The amount of Kshs. 4,235,000,000 shown in Note 25(vi) represented amounts due to the two shareholders for the loan that was made to the Company to cover the cost of the License fee. As at the end of year under review, the balance stood at Ksh. 2,541,000,000 and Kshs.1,694,000,000 due to Telkom (K) Ltd and Vodafone (K) Ltd, respectively.

Whilst taking cognizance of the purpose of the interest-free loan of Kshs.4,235,000,000 advanced to Safaricom by its shareholders, the Committee:-

(i) questioned the treatment of the license fee contribution as a *loan* and held that it would have been prudent to convert it to equity at the beginning;

(ii) held that it was imprudent for the directors of the Company to accept the loan without a specific repayment period since it makes it difficult for the Company to project the risks and exposures associated with the loan; and,

(iii) noted that the public may not be aware of the background, nature and implication of the said loan.

Further, in absence of a written agreement between the parties on the loan, the Committee was unable to confirm the terms of the said loan.

2. MATTER OF SHAREHOLDING OF SAFARICOM LTD

The Committee took evidence on diverse dates from the following persons on the matter of shareholding of Safaricom Ltd.

(i) Mr. Joseph Kinyua, Permanent Secretary, Treasury and Mrs. Esther Koimett, Investments Secretary (Ministry of Finance);

(ii) Mr. Bitange Ndemo, Permanent Secretary, Ministry of Information and Communication;
(iii) Mr. Michael Joseph, Chief Executive, Safaricom Ltd and Mr. Les Baillie, Finance Manager, Safaricom Ltd;
(iv) Mr. John Waweru, Director General, Communications Commission of Kenya;
(v) Mr. Sammy Kirui, Chief Executive, Telkom (K) Ltd; and
(vi) Ms. Jane Joram, representing the Registrar of Companies.

The evidence received was as follows:-

(A) Evidence of Mr. Michael Joseph, Chief Executive, Safaricom Ltd.

Mr. Michael Joseph, Chief Executive, Safaricom Ltd informed the Committee : -

(i) that, he was unable to disclose to the Committee who the direct and the indirect shareholders of Safaricom are; and,

(ii) that, the Company (Safaricom) was capitalized the first time as a body corporate in the May, 2000. This was when Telkom (K) Ltd. and Vodafone Plc injected U.S. $22 million and U.S. $33 million respectively, as their contribution to the license fee of U.S. $ 55 million. This was commensurate to their respective shareholding ratios at Safaricom (read 60:40) However, Telkom's portion (of U.S $ 33 m.) was paid in kind by contributing the then existing GSM equipment and customer base.

(B) Evidence of Mr. John Waweru, Director General, Communications Commission of Kenya (CCK).

Mr. John Waweru, the Director General, Communications Commission of Kenya informed the Committee:

(i) that, Telecommunications and Postal Sector Policy Statement of January 1997, (Government policy on investment in the Telecommunications Industry) required that Kenyan equity be not less that 70%- by this time CCK had not been inaugurated;

(ii) that, Telecommunications and Postal Sector Policy Statement, April 1999- required that any firm licensed to provide Telecommunications services in liberalized market segments should have at least 60% of its equity owned by Kenyans;

(iii) that, Gazette Notice No. 8227 of December 3, 2001: on Telecommunications and Postal Sector Policy Guidelines changed the earlier policy by requiring that any firm licensed to provide

Telecommunications services shall have at least 30% Kenyan equity ownership. However, for all listed companies, equity participation shall conform to the rules set by the Capital Markets Authority (CMA);

(iv) that, Gazette Notice No. 2431 of March 31st, 2006: Information and Communications Technology Sector Policy Guidelines reaffirmed the position of the Gazette Notice No. 8227 of December 3, 2001 by providing that any firm licensed to provide Telecommunications services shall have at least 30% Kenyan equity ownership. However, for all listed companies, the equity participation shall conform to the rules set by CMA;

(v) that, he was a director of Telkom (K) Ltd at the time of negotiating the cellular mobile phone Joint Venture between Telkom (K) Ltd and Vodafone Plc;

(vi) that, he was also the alternate director to the then Managing Director of Telkom (K) Ltd at the Board of Safaricom, commencing October 5, 1999;

(vii) that, he recalls the Board of TKL being informed of a verbal request by Vodafone Plc to increase the latter's shareholding in Safaricom from 30 % to 40%;

(viii) that, he was present during the 8th Full Board of Directors meeting of Telkom (K) Ltd held on September 27th , 1999 and which, among other things, approved the change in shareholding of Safaricom to 60% (TKL): 40% (VKL) *pending an official (written) request from the management of Vodafone*; and,

(ix) that, Safaricom applied for and obtained a mobile cellular operator license on 30th June 1999 (License No. ML-99-0001) granted by CCK. At this time, shareholding of Safaricom was 60 % (Telkom Ltd.) : 40% (Vodafone PLC);

(C) Evidence of Mr. Joseph Kinyua, Permanent Secretary, Treasury:

Mr. Kinyua informed the Committee that the information available at the Ministry of Finance indicates: -

(i) that, Safaricom was registered 100% under the KP&TC on 3rd April, 1997 and operated as a department of KP&TC for a short period;

(ii) that, on 25th January 1999, KP&TC awarded a 30% equity stake in Safaricom Ltd to Vodafone (K) Ltd (VKL);

(iii) that, Vodafone (K) Ltd (VKL) approached Telkom (K) Ltd (TKL) through a letter dated 1st October, 1999 for an increase of its shareholding in Safaricom from 30% to 40 %; and,

(iv) that, on October 5th, 1999, the Board of directors of TKL approved the request by VKL leading to the current 60% (TKL): 40% (VKL) shareholding structure- (the P.S. cited Board Paper No. 54/99 of TKL);

(D) Evidence of the Registrar of Companies (Represented by Ms. Jane N. Joram, Senior Principal State Council)

The Registrar of Companies informed the Committee:-

(i) that, Safaricom was first registered on 3rd April 1997 as a private Company under certificate No.C75645;

(ii) that, the Company was converted into a public company by a special resolution dated May 23, 2001 and filed with the Registrar on 24th May, 2001. Subsequently, the Company's registration number changed to C.8/2002;

(iii) that, according to Annual Returns made by the Company in the year 2006, and the notification of change of directors and secretaries, the directors of the Company as at 23rd February, 2007 were:

a. Nancy Wambire Macharia
b. Nicholas Nganga
c. Gavin John Darby
d. Robert William Collymore
e. Sammy K. Kirui
f. Esther J. Koimett

(iv) that, the Company's authorized share capital is 1000 shares. The shareholders as at 23rd February, 2007 were: -

a. Vodafone (K) Ltd- 4, 000 Ordinary Shares
b. Telkom (K) Ltd- 6,000 Ordinary Shares
c. Messrs Paul B. Jilan, John K. Mosonik, Augustine K. Cheserem, Ashwini Bhandari, Kenneth Hamish W. Keith- each 1 non-voting, non-participating, deferred share;

(v) that, Vodafone Kenya Limited (VKL) was registered on 3rd February 1998 under the name Shomoro Limited with registration number C.79550;

(vi) that, the Company changed its name from Shomoro Limited to Vodafone Kenya Limited on 15th October 1998;

(vii) that, the physical file and records of Vodafone (K) Ltd have since inexplicably disappeared from the Registrars records, but according to computer records on the same, the following were the Directors of the Company as at the year 2000 were:-

- Richards Clark Stewart
- Waltherus Hoogstraate
- Kenneth Hamish Woller Keith (also the Company Secretary)

(viii) that, prior to the year 2006, neither Safaricom nor Vodafone (K) Ltd was submitting its annual returns; and,

(ix) that, the company known as M/s. Mobitelea Ventures is not registered in Kenya.

(E) Evidence of Mr. Sammy Kirui, Chief Executive, Telkom (K) Ltd.

Mr. Sammy Kirui, Chief Executive, Telkom (K) Ltd informed the Committee that that, while he is not sure what necessitated the reduction of TKL shares in Safaricom from 70% to 60%, available records are not explicit whether TKL was paid for the reduction.
He further adduced that the reduction in shareholding may have been necessitated by need to raise funds for expansion of Safaricom's network

The Committee also examined the *Papers Laid* before it as follows: -

I. Evidence: (Papers laid)- Copies of Minutes from Telkom (K) LTD.

(a) *KP&TC Board Paper No. 28/97:,* Indicates that, Telecommunications Policy Framework Paper 1996-98 was launched on February 16, 1996. The Paper set out restructuring programme and the formation of a *Joint Venture* partnership with an experienced operator in the operation and management of the GSM and cellular mobile telephone network. Requests for proposals were sent out on July 1996 to SBC Communications of USA, Vodafone Group of UK and TS Mobile BV of Sweden. Negotiations with Vodafone started in November 1996. Board of Directors was asked (by the management) to approve discussion with Vodafone on the formation of a Joint Venture Company;

(b) *Telkom (K) Ltd. Board Paper No. 48/99 of August 1999*: That, the agreement *currently* provides 30 percent ownership by Vodafone. In light of the changes in the Sector Policy statement, TKL Board is asked (by the management) to consider Vodafone's *request* to increase its shareholding in Safaricom from 30% to 40 %;

(c) *Telkom (K) Ltd. Board Paper No. 56/99 of September 1999*: That, Vodafone had *verbally* requested to increase its shareholding in Safaricom from 30% to 40 %. TKL Board is asked (by the management) to consider and approve the request. It is reported in the meting that Vodafone will be asked to put their request in *writing*.

(d) *Minutes of the 7th Full Board of Directors Meeting TKL held on 27th September, 199:-* Present are: W.N. Ayah, A.K. Cheserem, M.P. Manji, K.K. Cherogony, Eng. J. Waweru, D.A. Oyatsi, G. Mitine. The Board of Directors discussed (Board Paper No. 56/99) and approved the shareholding of 60:40 subject to the management *obtaining an official request in writing* from Vodafone.

(e) *Minutes of the Board of Directors of Safaricom Ltd. held on 5th October, 1999*- (Present are Mr. Augustine Cheserem and Mrs. Pamela Mutinda): The Minutes indicate that: It was reported to the meeting that Vodafone (K) Ltd (VKL) had by a letter dated October 1st, 1999 asked TKL to increase its (VKL's) shareholding in Safaricom from 30 % to 40 %. Further, it was reported to the meeting that TKL had agreed to the change.

II. Evidence:(Paper laid)- Letter by Mr. Gavin Darby, Chief Executive, Vodafone, Americas/Africa/China/India addressed to the Committee

The letter dated 29th January 2007 addressed to the Committee conveyed, in part;

(a) that, in 2000, VKL acquired 40% of Safaricom following a *competitive* process. Vodafone invested US$ 20 million and paid another US$ 22 million for its portion of the license fee of US$55 million. At the time, VKL was 100% owned by Vodafone Group;

(b) that, in 2002, Mobitelea Ventures, a company registered in Guernsey was offered an opportunity to acquire 25% of VKL by Vodafone Group. This was in return to the advisory role it played as a local partner of Vodafone Group on local business practices and protocol challenges associated with investing in Kenya. This transaction was completed in cash in 2002 and translated to 30% of Safaricom being owned by Vodafone Group and 10% by Mobitelea;

(c) that, in January 2003, Vodafone Plc bought back 12.5% of VKL from Mobitelea at a *fair* market value for cash. This translated into 35% of Safaricom being owned by Vodafone Group and 5% by Mobitelea;

(d) Mobitelea is a financial investor only and has no seat on VKL Board.

III. Evidence (Paper laid): Original Cooperation & Shareholders Agreement (Parties: KP&TC, VKL, Safaricom Ltd and Vodafone Europe Holdings B.V- of January 1999): (page 39)

(a) clause 12.3 (a)- that, *If a shareholder wishes to sell any part or all of its shareholding in Safaricom, such shareholder shall notify the other parties in writing and show: number of shares to be sold, the transfer price, identity of the person offering to purchase and other terms and conditions.* That, *Offerees shall have right of the first refusal to purchase the Sale Shares pro rata of their respective shareholding.*

(b) the Agreement was amended on May 26, 2000 to reflect the 60:40 (TKL: VKL) shift in shareholding with effect from October 5, 1999. Some documents presented before the Committee showed the amendments were handwritten and were neither countersigned nor authenticated by way of company seals.

Further information showed that Mobitelea Ventures Ltd was registered in Guernsey Island in June 1999. The Company's real owners are behind two nominee firms, M/s. Mercator Nominees Ltd and M/s. Mercator Trustees Ltd with Messrs Anson Ltd and Cabot Ltd both registered in Anguilla and Antigua as directors. Part of this information was disclosed to the public by Mr. Philip Rhys, an Executive in Mergers and Acquisitions in Vodafone Plc.

The Committee noted with concern that:

(i) there were grievous discrepancies on the date provided by the various persons on the time of reduction of Telkom Ltd's shareholding at Safaricom from 70% to 60%: the Director General, CCK alluded to a time before June 30, 1999: the Permanent Secretary, Treasury alluded to October 5th, 1999 while Mr. Gavin Darby alluded to year 2000: Minutes of TKL Board showed September 27, 1999 as the date that the Board approved the reduction of shares, *subject to written request by Vodafone*;

(ii) none of the witnesses who appeared before the Committee could ascertain whether Vodafone Plc actually wrote to Telkom asking for increase in their shareholding in Safaricom. In absence of such letter, Telkom's Chief Executive could only guess that *they may have written;*

(iii) the current management of Telkom Ltd's was unable to justify the need to reduce Telkom's shareholding at Safaricom from 70% to 60%. Further, the management could not confirm whether Telkom was paid *anything* in return for the 10% shareholding irregularly ceded to Vodafone Plc. In his evidence before the Committee, the Chief Executive of Telkom Mr. Sammy Kirui attempted to mislead the Committee on a possible consideration having been made to Telkom for those shares;

(iv) in absence of any evidence, the excuse given for reduction of Telkom's shareholding at Safaricom (that it was necessary to raise funds for expansion of the Company's network) could not hold water since the government had not indicated its inability to directly raise the funds;

(v) the shareholder Agreement was first signed between Vodafone Plc and KP&TC on January 25, 1999 . During this time the policy on investments in the telecommunications industry required that Kenyan ownership be not less than 70%. It would appear therefore that the policy was thereafter amended to accommodate M/s. Mobitelea Ventures;

(vi) the information provided by Mr. Gavin Darby that "*M/s. Mobitelea Ventures was identified as a local partner of Vodafone Group for the advisory role it played on local business practices and protocol challenges associated with investing in Kenya*", was misrepresentation of the truth since Mobitelea Ventures is ostensibly not based nor does it operate in Kenya. Furthermore, the Shareholder Agreement was signed on January 25th 1999, long before Vodfone Plc came by Mobitelea Ventures Ltd. In addition, nobody was able to ascertain the existence of the "*competitive" process* through which Vodafone Plc bought back 5% of Safaricom shares from Mobitelea Ventures as alluded by Darby through his letter to the Committee;

(vii) despite several requests, Messrs Rhys Philip and Garvin Darby failed to appear before the Committee;

(viii) a letter dated May 26, 2000 tabled before the Committee by Mr. Michael Joseph ostensibly from VKL forwarding a bankers draft of U.S. $ 22 million and claiming that Vodafone Kenya Ltd (VKL) had paid its part of license fee was later found to be fictitious as it purported that the Postal Address of VKL was P.O. Box 40034-*00100,* (8th Fl. Lonhro House), Nairobi. It is common knowledge that, as at this time (year 2000), Kenya had not effected the postal coding of 00100;

(ix) by approving the reduction in shares, the members of the then Board of Telkom who sat in the 7th Full Board of Directors Meeting of Telkom

held on 27th September, 1999; Mr. W.N. Ayah, A.K. Cheserem, M.P. Manji, K.K. Cherogony, Eng. J. Waweru, D.A. Oyatsi, G. Mitine and who discussed the Board Paper No. 56/99 abetted the outright theft of public shares in Safaricom;

(x) the meeting of Board of Directors of Safaricom Ltd of 5th October, 1999 was not properly constituted as those present were Mr. Augustine Cheserem, then Chief Executive of KP&TC and Mrs. Pamela Mutinda Company Secretary KP&TC. Accordingly, any deliberations therein could not be construed to be those of the Board of Safaricom Ltd;

(xi) Safaricom is a capital investment by Telkom. Any divestiture ought to have been sanctioned by the parent Ministry and the Treasury; Telkom's Board failed to seek the approval of the parent Ministry and the Treasury to reduce the shareholding.

(xii) agreements entered between Vodafone (K) Ltd and Telkom (K) Ltd on Safaricom and those between the latter and the two shareholders were not authenticated by way of Company Seals. Some amendments made on the agreements are actually handwritten and may not have force of law. In absence of company seals, the purported amendment in the Agreement and that reduced Telkom's shareholding would remain null and void;

(xiii) prior to inviting Mobitelea to own the 10 % shareholding of Safaricom through Vodafone PLC, Telkom failed to invoke clause 12.3(a) (right of the first refusal) of the Original Cooperation & shareholders Agreement (Parties: KP&TC, VKL, Safaricom Ltd and Vodafone Europe Holdings B.V). The management of Telkom and that of Safaricom alluded not to know the nature of the transactions between Vodafone PLC and Mobitelea Ventures;

(xiv) it is appalling that Vodafone Plc a Company registered in the United Kingdom involved itself in underhand activities of corrupt nature aimed at depriving Kenyan citizens of billions of shillings through M/s. Mobitelea Ventures, despite the fact that the U.K. has been in the forefront of campaigning against corruption in developing countries;

The Committee held that there appears to have been a conspiracy by some officers of government, Mobitelea Ventures, Vodafone Plc and Telkom' Board to defraud the public its shares in Safaricom. Neither the Management of Safaricom nor that of Telkom could produce the written request by Vodafone asking for increase in Vodafones' shares from 30% to 40%. This supposition is further affirmed by the inexplicable disappearance of the records of Vodafone

(K) Ltd from the Registry of Companies. Annex II shows hypothetical structures on changes in Safaricom Ltd deduced from the evidence given.

The Committee recommends that: -

(i) the Director, Kenya Anti-Corruption Commission immediately institutes investigations on the circumstances and manner in which 10% of Telkom (K) Ltd shares in Safaricom Ltd were irregularly transferred to Mobitelea Ventures without the consent of the Treasury and that of the Parent Ministry with a view to taking appropriate action against any persons(s) found culpable;

(ii) this House ask the Director of Kenya Anti-Corruption Commission to include a progress report on the investigation in (i) above in the Commission's quarterly report to the House for the next immediate period;

(iii) this House invites the Organization for Economic Cooperation and Development (OECD), the United Nations, Transparency International and the Serious Fraud Office of London to also undertake investigation on apparent grand corruption conceived and orchestrated by Vodafone Plc in Kenya;

(iv) due to his roles on the Board of the defunct KP&TC and Telkom at the time of changes in Safaricom's shareholding and the Communications Commission of Kenya as exemplified by the evidence adduced and papers laid, the Chief Executive, Communications Commission of Kenya, Eng. John Waweru be asked to step aside until the investigations are completed;

(v) Mr. W.N. Ayah, A.K. Cheserem, M.P. Manji, K.K. Cherogony, D.A. Oyatsi, G. Mitine and who discussed the Board Paper No. 56/99 and abetted the outright theft of public shares in Safaricom be barred from holding public office conferred by the Republic of Kenya;

(vi) the Chief Executive, Telkom (K) Ltd in liaison with the parent Ministry and the Ministry of Finance determines the value of the 10% shares irregularly ceded to Mobitelea Ventures. The firm and/or Vodafone Plc be made to redeem the determined value by June 30, 2008; and

(vii) the awaited and Initial Public Offer of Safaricom Ltd be suspended until such time when the above-mentioned investigations are done. The 10% which was irregularly transferred to Vodafone Plc should immediately revert to Telkom (K) Ltd to hold in trust for the Kenyan public and factored in the event of any privatization of Safaricom Ltd.

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

FIXED ASSETS

The Institute does not hold title deeds for the land allocated to it by Government at Molo, Kakamega, Nyeri, Londiani and Turbo, all measuring a total of 270 hectares. This land has also not been valued and has, therefore, not been included in these Accounts. The Balance Sheet Fixed Assets figure of Kshs.1,047,517,742 as at 30 June 1999 is, therefore, understated to the extent of the value of the land under reference. Arising from the foregoing, it is not possible to confirm both the ownership and the value of that land.

The Committee heard the evidence of the Chief Executive that the Institute does not hold title deeds for its parcels of land in Molo, Kakamega, Nyeri, Londiani and Turbo, all measuring a total of 270 Ha. The Committee also heard that efforts of the Institute to have the title documents have been unsuccessful with the Chief Conservator of Forests advising that the parcels would have to be degazetted prior to issuance of ownership documents.

The Committee was also informed that the matter of alienating KEFRI's parcels of land from government forest was being considered by the Forestry Sector Reform Committee under the chairmanship of the Permanent Secretary, Ministry of Environment and Natural Resources.

The Committee was concerned that in the event the parcels of land are allocated for other use, the Institute's research activities would be hampered.

The Committee recommends that the Chief Executive, in close liaison with the Permanent Secretary, parent Ministry pursues issuance of title deeds for all of the Institute's parcels of land.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE KENYA FORESTRY RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE 2000.

1. FIXED ASSETS

The Balance Sheet Fixed Assets figure of Kshs.1,011,297,047 as at June 2000 excludes undetermined value of 420 hectares of land in the Institute's possession and use situated in various locations as well as forest reserves whose ownership could not be ascertained due to non-availability of documents of title. In the absence of such documents, it has not been possible to confirm the ownership and value of the land under the custody of the Institute.

The Committee heard the evidence of the Chief Executive that the Institute does not hold title deeds for its parcels of land measuring a total of 420 Ha. The Committee also heard that efforts of the Institute to have the title documents have been unsuccessful with the Chief Conservator of Forests advising that the parcels would have to be degazetted prior to issuance of ownership documents.

The Committee was also informed that the matter of alienating KEFRI's parcels of land from government forest was being considered by the Forestry Sector Reform Committee under the chairmanship of the Permanent Secretary, Ministry of Environment and Natural Resources.

The Committee was concerned that in the event the parcels of land are allocated for other use, the Institute's research activities would be hampered.

The Committee recommends that the Chief Executive, in close liaison with the Permanent Secretary, parent Ministry pursues issuance of title deeds for all of the Institute's parcels of land.

2. MEDICAL SCHEME

On 24 September 1998, the Board of Directors approved the establishment of a Staff Medical Scheme which started operating in 1999/2000 and against which the Institute incurred an expenditure of Kshs.2,642,015. There was however, no record that the Medical Scheme had been approved by the Minister in consultation with the Treasury and the Committee as required by Section 5(4) of the State Corporations Act (Cap 446). Under the circumstances, therefore, it has not been possible to confirm the propriety of the expenditure of Kshs.2,642,015 incurred by the Institute during the year under review.

The Committee heard the evidence of the Chief Executive that, the Institute's Board, without authority of the parent Ministry, the Treasury and the State Corporations Advisory Committee, approved the establishment of a Staff Medical Scheme on 24 September 1998 and which started operating in 1999/2000. The Institute incurred an expenditure of Kshs.2,642,015 on the Scheme during the year under review.

The Committee was informed that the Institute has since obtained post facto approval from the parent Ministry on implementation of the Staff Medical Scheme.

The Committee recommends that the Chief Executive also seeks post facto approval from the Treasury and the State Corporations Advisory Committee to fully regularize implementation of the said Staff Medical Scheme and the related expenditure of Kshs.2,642,015. This should be done by December 31st, 2007.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE KENYA FORESTRY RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE 2001.

1. FIXED ASSETS

The Fixed Assets figure of Kshs.980,448,844 as at June 2001 excludes undetermined value of 420 hectares of land held by the Institute and situated in various locations as well as forest reserves whose ownership could not be ascertained due to non-availability of documents of title.

Consequently, it was not possible to ascertain the ownership and value of the land under the custody of the Institute or to confirm under the circumstances, that the fixed assets are fairly stated in the financial statements.

The Committee heard the evidence given by the Chief Executive that the Institute does not hold title deeds for its parcels of land measuring a total of 420 Ha. The Committee also heard that efforts of the Institute to have the title documents have been unsuccessful with the Chief Conservator of Forests advising that the parcels would have to be degazetted prior to issuance of ownership documents.

The Committee was also informed that the matter of alienating KEFRI's parcels of land from government forest was being considered by the Forestry Sector Reform Committee under the chairmanship of the Permanent Secretary, Ministry of Environment and Natural Resources.

The Committee was concerned that in the event the parcels of land are allocated for other use, the Institute's research activities would be hampered.

The Committee recommends that the Chief Executive, in close liaison with the Permanent Secretary, parent Ministry pursues issuance of title deeds for all of the Institute's parcels of land.

2. MEDICAL SCHEME AND ALLOWANCES

The Institute's management paid a total of Kshs.2,134,618 to employees in a medical scheme that had not been approved by the Treasury, the parent Ministry and the Office of the President as required by Section 5(4) of the State Corporations Act (Cap 446). The Institute was in breach of the law and the propriety of the total expenditure of Kshs.2,134,618 on the Medical Scheme could not therefore, be confirmed.

The Committee heard the evidence of the Chief Executive that, the Institute's Board, without authority of the parent Ministry, the Treasury and the State Corporations Advisory Committee, approved the establishment of a Staff

Medical Scheme on 24 September 1998 and which started operating in 1999/2000. The Institute incurred an expenditure of Kshs. 2,134,618 on the Scheme during the year under review.

The Committee was informed that the Institute has since obtained post facto approval from the parent Ministry on implementation of the Staff Medical Scheme.

The Committee recommends that the Chief Executive also seek post facto approval from the Treasury and the State Corporations Advisory Committee to fully regularize implementation of the said Staff Medical Scheme and the related expenditure of Kshs. 2,134,618. This should be done by December 31st, 2007

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA TOURIST BOARD FOR THE YEAR ENDED 30 JUNE 2001.

Clean Accounts.

The Committee noted that the accounts of the Board for the year ended June 30, 2001 received an unqualified opinion of the Controller and Auditor General.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA TOURIST BOARD FOR THE YEAR ENDED 30 JUNE 2002.

FINANCIAL POSITION

During the year ended 30 June 2002, the Board incurred a deficit of Kshs.69,866,132 (2001 – surplus of Kshs.49,951,262) thereby reducing the General Fund from Kshs.62,634,479 in the previous year to a negative balance of Kshs.(10,571,056) as at 30 June 2002. It would appear the unsatisfactory performance was as a result of a shortfall in financing. In addition, the balance sheet as at 30 June 2002 reflects a negative working capital of Kshs.30,022,255 indicating that the Board was experiencing liquidity problems and therefore unable to meet its maturing obligations including some Kshs.69,632,438 owed to International Creditors. The Board's continued operation as a going concern will therefore depend mainly on its control of expenditure, increased grants from Government, Catering Levy and the support of its creditors and bankers.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation's accounts reflected a deficit of Kshs.69,886,132 bringing the total accumulated deficit to Kshs.80,437,188.

The Committee was informed that the negative working capital of Kshs.95,485,314 was due to the following:-

(i) **the failure by donors to release Kshs.170 million from the Tourist Trust Fund (TTF), which impacted negatively on the Board's financial performance for the year under review. The Fund was supposed to support marketing activities of the Board;**

(ii) **issuance of travel advisories which necessitated a shift in policy from Market Repositioning Strategy to Tourism Recovery Plan in order to address effects of the travel ban. This in effect meant that the Board had to abandon its earlier plans, which would have released funds immediately in order to focus on the Tourism Market Recovery Plan 2003/2004; and**

(iii) **lack of assured source of funding and reliance on Government of Kenya funding and donors, both sources which are insufficient and unpredictable.**

The Committee however noted that the Board's financial position has improved in the subsequent years, thereby realizing surplus.

The Committee recommends that the Government funds the Board sufficiently to enable it to fully execute its mandate

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA TOURIST BOARD FOR THE YEAR ENDED 30 JUNE 2003.

FINANCIAL POSITION

During the year ended 30 June 2003, the Board incurred a deficit of Kshs.69,866,132 thereby reducing the accumulated funds further from negative (Kshs.10,571,056) to negative (Kshs.80,437,188). In addition, the balance sheet as at the end of the year reflects negative working capital of Kshs.95,485,314. Evidently, the Board is technically insolvent and its continued operation as a going concern will depend mainly on adequate control over expenditure, increased grants from Government, Catering Levy and support of creditors.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation's accounts reflected a deficit of Kshs.69,886,132 bringing the total accumulated deficit to Kshs.80,437,188.

The Committee was informed that the negative working capital of Kshs.95,485,314 was due to the following:-

(i) **the failure by donors to release Kshs.170 million from the Tourist Trust Fund (TTF), which impacted negatively on the Board's financial performance for the year under review. The Fund was supposed to support marketing activities of the Board;**

(ii) **issuance of travel advisories which necessitated a shift in policy from Market Repositioning Strategy to Tourism Recovery Plan in order to address effects of the travel ban. This in effect meant that the Board had to abandon its earlier plans, which would have released funds immediately in order to focus on the Tourism Market Recovery Plan 2003/2004; and**

(iii) **lack of assured source of funding and reliance on Government of Kenya funding and donors, both sources which are insufficient and unpredictable.**

The Committee however noted that the Board's financial position has improved in the subsequent years, thereby realizing surplus.

The Committee recommends that the Government funds the Board sufficiently to enable it to fully execute its mandate

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA NATIONAL LIBRARY SERVICE BOARD FOR THE YEAR ENDED 30 JUNE, 1998.

1. FIXED ASSETS

The Board's Fixed Assets figure of Kshs.182,100,195 includes the value of some eight plots of land for which the Board did not have title deeds but also excludes the value of some ten (10) plots without title deeds. In the circumstances, I was unable to confirm that the Board's assets were properly recorded and correctly stated in these Accounts.

The Committee heard the evidence from the Chief Executive that during the year under review, the Fixed Assets figure of Kshs.182,100,195 included value of eight plots of which three (3) already have title deeds.

The Committee was informed that the Board has managed to have eleven (11) plots valued while title deeds have already been processed for seven parcels of land in Laikipia, Mwingi, Garissa, Ukwala, Lusumu, Rambula and Kapsabet. Of its 22 plots, only two plots in Maua and Kibera have not been valued while the rest have had valuations done and the processing of title deeds and registration was in progress.

The Committee recommends that the Management moves with speed to have ownership of the plots regularized and titles issued to the Board.

2. STAFF PENSION FUND

2.1 For a number of years, the Board has been running a Staff Pensions Scheme, which was being managed by Kenya National Assurance Company (now in liquidation). As at 30 June 1998, the Staff Pension Fund stood at Kshs.47,566,905. I am, however, unable to confirm availability for payment to staff or otherwise of these pension funds as I have not seen any communication from the Liquidators of Kenya National Assurance Company regarding either payment of the amount to the Board or transferring the same to the new insurance company now managing the Board's Pension Scheme.

2.2 In addition, the Creditors figure of Kshs.3,664,902 includes staff pension contributions amounting to Kshs.2,027,064 which the Board was holding as at 30 June 1998 instead of investing the contributions to earn interest for the benefit of its pensioners.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Staff Pension Fund figure of Kshs.47,566,905 had not been reconciled with the figures held by the underwriters, the Kenya National Assurance Company.

The Committee was informed that:-

(i) the Board operates a defined pension scheme which used to be operated by the Kenya National Assurance Company, which was wound up in May 1996;

(ii) the official receiver from the Attorney General's Chamber gave a commitment for the payment of the money to the Board; and the Kenya National Assurance Company (2001) in June 2003, undertook to release Kshs.28,240,386 which in their records constitutes the total amount it owes the Board; and

(iii) the disparities in the figures have not been confirmed by both parties and the Board's Brokers at the time, namely M/s. Inter Broke Insurance Brokers Limited are reluctant to release documentation on the matter, despite their being engaged and paid all the requisite fees by the Board.

The Committee recommends that:-

(i) the Chief Executive should, as a matter of priority, have the Board's books of accounts reconciled and once the outstanding amounts from the Kenya National Assurance Company 2001 are established, efforts be made to have the same refunded to the Board; and

(ii) the Commissioner of Insurance compels M/s. Inter Broke Insurance Limited to release documentation regarding the staff pension dues held by themselves to the Board, failure to which appropriate disciplinary action should be taken against the firm.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA NATIONAL LIBRARY SERVICE BOARD FOR THE YEAR ENDED 30 JUNE, 1999.

1. FIXED ASSETS

The Board's Balance Sheet Fixed Assets figure of Kshs.180,658,450 as at 30 June 1999, included the value of twelve (12) plots of land owned by it but which the Board did not have title deeds for. The figure, however, excludes the value of four (4) others with title deeds as well as that of other two (2) plot without title deeds. In the circumstances, it was not possible to confirm that the Board's assts are properly recorded and correctly stated in the Accounts as at 30 June 1999.

The Committee heard the evidence from the Chief Executive that during the year under review, the Fixed Assets figure of Kshs.180, 658,450 included value of twelve plots, of which four already have title deeds.

The Committee was informed that the Board has managed to have 11 plots valued while title deeds have already been processed for seven parcels of land in Laikipia, Mwingi, Garissa, Ukwala, Lusumu, Rambula and Kapsabet. Of its 22 plots, only two plots in Maua and Kibera have not been valued while the rest have had valuations done and the processing of title deeds and registration was in progress.

The Committee recommends that the Management moves with speed to have ownership of the plots regularized and titles issued to the Board.

2. DEBTORS

The Board's debtors of Kshs.1,424,595 as at 30 June 1999, include cash advances totaling Kshs.605,722 made to five (5) ex-employees of the Board. The amounts were advanced to the ex-employees against the security and on the grounds that their pension contributions were held by Kenya National Assurance Company (now in liquidation). There is, however, no information available to indicate confirmation of the debt by the liquidators of the Kenya National Assurance Company and the Liquidators' undertaking to reimburse the Board the amount of Kshs.605,722. Under the circumstances, it has not been possible to confirm the recoverability of these advances.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Board paid ex-employees Kshs.731,042,.45 being payments made against their outstanding pension claims from the Kenya National Assurance Company.

The Committee was informed that the amount paid to the ex-employees amounted to 80% of their total pension dues and that it was meant to be

recovered from their Pensions once the Kenya National Assurance liquidators released the same.

The Committee was further informed that to date, only Kshs.190,466.60 has been paid to the Board, leaving a balance of Kshs.540,575.50 outstanding and that it is unclear when the balance will be settled.

While noting the humanitarian grounds on which ex-employees were advanced the Kshs.731,042.45 by the Board, the Committee was concerned that there was no budgetary provision for the said payment and that authority of the parent Ministry was not sought. Further, the Board has not been keen to follow up the matter of unpaid pension dues, given the long period that has lapsed since the last payment was received in May 2005.

The Committee therefore recommends that the Chief Executive follows the matter expeditiously to ensure that reconciliation's of the Pension Fund is carried out and any amount owed by the Kenya National Assurance is released to the Board.

3. PERSONAL EMOLUMENTS

The Staff Expenses figure of Kshs.127,466,740 reflected in the Income and Expenditure Account as at 30 June 1999, includes an amount of Kshs.74,546,099 being personal emoluments paid to the Board's staff during the year under review. The personal emoluments of Kshs.74,546,099 in turn include expenditure of Kshs.25,855,358 being salary revisions approved and implemented by the Board at the rate of 38% effective from July 1997. Approval of these salary review as required under Section 12 of the State Corporations Act, Cap 446, has, however, not been seen.

The Committee heard evidence given by the Chief Executive that during the year under review, the Board approved a 38% salary increment to its workers in the management cadres, thereby incurring an expenditure of Kshs.25,855,358.

The Committee was informed that in the 79th Full Board Meeting of 26th March, 1999 (Minute no. 6/99/99), the Board resolved to award the increment in order to address an imbalance brought about by various collective bargaining agreement awards extended to its unionisable employees, which in effect hiked their salaries over and above that of the management staff.

The Committee was also informed that the Board has since sought post facto approval for the expenditure through a letter ref OP9/10A of 12th November 2003, thereby resolving the audit query.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA NATIONAL LIBRARY SERVICE BOARD FOR THE YEAR ENDED 30 JUNE 2000.

1. FIXED ASSETS

The Balance Sheet Fixed Assets figure of Kshs.179,467,076 as at 30 June 2000 includes an amount of Kshs.16,864,000 being the value of eight (8) plots owned by the Board for which the Board has not obtained title deeds. The figure however, excludes an undetermined value of three (3) other plots with title deeds as well as eleven (11) plots without title deeds. In the absence of title documents for the eleven plots and the exclusion of the value of fourteen (14) plots of land from the Balance Sheet, it has not been possible to confirm the ownership of the land as well as the propriety of the Balance Sheet Fixed Assets of Kshs.179,467,076 as at 30 June 2002.

The Committee heard the evidence from the Chief Executive that during the year under review, the Fixed Assets figure of Kshs.179,467,076 included value of Kshs.16,864,000 being value of eight plots which do not have title deeds.

The Committee was informed that the Board has managed to have 11 plots valued while title deeds have already been processed for seven parcels of land in Laikipia, Mwingi, Garissa, Ukwala, Lusumu, Rambula and Kapsabet. Of its 22 plots, only two plots in Maua and Kibera have not been valued while the rest have had valuations done and the processing of title deeds and registration was in progress.

The Committee recommends that the Management moves with speed to have ownership of the plots regularized and titles issued to the Board.

2. PROPOSED EXTENSION OF KENYA NATIONAL LIBRARY SERVICES HEADQUARTERS

In January 1988, the then Chief Accountant of the Board commissioned a firm of architects to provide architectural service to the Board for a proposed extension of the Kenya National Library Service Headquarters but without the approval of the Board. Five days later on 11 January 1988, the same officer and in a similar manner, commissioned three other firms to provide electrical, mechanical and structural/civil and quantity surveying services for the same project with the Board's approval. These irregular appointments were made before a full Board meeting scheduled to discuss the project on 13 January 1988 was held. When the Board met on 13 January 1988, the Project was not approved but the Board directed its Executive Committee, to which the Chief Accountant was a member, to work out more details of the Project for subsequent Board discussion. Consequent to the irregular commissioning of consultants, a cost estimate of Kshs.132,675,000 was given as well as three fee notes of Kshs.3,157,725 based on the Project cost estimate of Kshs.132,675,000. Records show

that the project cost was without any explanation revised upwards to Kshs.257,190,252 after which the four consultants involved in the project submitted their revised fee notes of Kshs.27,153,193 based on the new Project costs, again without consultations with the Board and without confirming the correctness of the fee notes.

2.1 On becoming aware of the existence of the consultancy in September 1998, the Board of Directors rejected the proposals made by the Chief Accountant and resolved to have the officer summarily dismissed. Several years later and in a strange change of events, the Board approved the revival of the Project in July 1991. The Ministry of Public Works in a letter dated 17 March, 1993 advised that the commissioning of the consultants was illegal and that no consultancy fees were payable. On 18 November 1993, however, the Permanent Secretary, Public Works and in apparent contradiction to their letter of 17 March 1993, which had stated that the fees were not payable, wrote and advised the parent Ministry that one of the consultants, an architect, was due for fees totaling Kshs.9,257,335 and further indicated that a payment voucher for the same amount had been prepared. Thereafter, the Ministry of Public Works forwarded the payment to the Board's parent Ministry for payment. The Parent Ministry subsequently paid the consultants, their portion of the professional fees of Kshs.9,257,335 without even consulting the Board. The expenditure was offset against the Board's grants receivable from the parent Ministry.

2.2 Records further show that on learning of the payment to the architect, the other consultants sued the Board for non-payment of their fees totaling Kshs.17,154,262 under HCC No.1116 of 1999, a civil sit which has been pending in court since then. During the year under review, the Board hired a firm of lawyers to defend it on the suit and subsequently paid the lawyers a total of Kshs.856,000 between October and December 1999. Apart from the fact that the Ministry of Public Works irregularly approved the payment of fees even when it had advised the parent Ministry to the contrary, the parent Ministry irregularly paid the fees even when the project was not implemented. It is also not clear why the parent Ministry paid fees to one of the consultants based on the revised project cost of Kshs.257,109,252 against the original project estimate cost of Kshs.132,675,000 submitted by the irregularly appointed consultants.

2.3 Apart from the fact that the Board may lose much more than the amount of Kshs.17,154,262.70 now demanded by the other remaining three consultants based on the irregular payment by the parent Ministry, it is also not clear how a project of this magnitude could have been commenced and designed reportedly without the knowledge and approval of the Board. In addition, the expenditure of Kshs.856,000 incurred by the Board to pay lawyers during the year under review would have been saved had proper procedures been followed when appointing and commissioning the consultants to design the project, which in any case had not been planned and budgeted for.

The Committee heard the evidence by the Chief Executive that during the year under review, an officer of the Board irregularly commissioned a firm of architects to provide consultancy services to the Board for the extension of the Kenya National Library Service (KNLS) Headquarters.

The Committee was informed that:-

(i) in January 1988, the Board's Chief Accountant, the late J. Nyamweya, without Board's approval, commissioned Messrs Emms Architects to undertake the consultancy services for the extension of the Boards Headquarters;

(ii) on 26th January, 1989, on learning about the commissioning of the architects, the Board met to discuss the conduct of the officer and resolved to summarily dismiss him;

(iii) the parent Ministry paid consultancy fees of Kshs.9,257,355 without the Board's approval, subsequent to which the Quantity Surveyors sued the Board for non payment of professional fees amounting to Kshs.17,154,262 through Civil Case HCCC No. 11/16 of 1999. Amounts claimed were as follows:-

M/s. Emms Architects	-	Kshs.9,998,929
M/s. Kajumba Consultants	-	Kshs.8,379,075
M/s. Gattu Consultants	-	Kshs.6,222,037.30
M/s. Kisa and Partners	-	Kshs.2,553,150
Total	-	Kshs.27,148,192

(iv) the matter was pending in court until June 2002, when the Attorney General's office advised the Board to settle the claim to avoid further losses in form of accruing interests and a consent order was executed in favour of the Plaintiff for the sum of Kshs.9,999,929, which the Board declined to honour.

The Committee was concerned that money had already been expended on a project which was neither budgeted for nor approved by the Board and further that the Permanent Secretary could gladly bear the burden of settling contractual claims without recourse to the Board.

The Committee therefore invited the Permanent Secretaries for Roads and Public Works and Gender, Sports, Culture and Social Services to clarify the roles of the Ministries in the matter.

The Permanent Secretary for Roads and Public Works informed the Committee that:-

(i) the Ministry was neither involved by the Board in the appointment of consultants nor in the approval of cost estimates for the project and was only brought on board in 1993 at a request of the parent Ministry, to assist in the assessment of fee notes in respect of the provisional input by respective consultants;

(ii) the Ministry advised against payment to the consultants as the commissioning of the contract was illegal as the signatory had not been authorized by the Board. Thereafter, the position changed following the Attorney General's advise that a valuation of consultancy works be done to establish if such works were worthless to the client or not. By this time, the project had been revived and the Ministry's evaluation of Kshs.17,154,262 for the consultant architect was therefore valid.

The Permanent Secretary for Gender, Sports, Culture and Social Services appeared to explain the circumstances that led to the Ministry settling debts owed by the Board without recourse to the latter.

The Permanent Secretary informed the Committee that:-

(i) the then Chief Accountant of the Board, Mr. Nyamweya, was requested by the Board in its 57th Sitting to prepare an estimate cost of the project and the cost benefit analysis;

(ii) during the 58th Sitting of the Board, the matter of extension of the building was discussed, after which the Chief Accountant proceeded to commission the 4 firms to undertake the project, when implementation had not been agreed upon by the Board.

(iii) M/s. Emms Architects sued the Board for the non-payment of their dues. The Attorney General advised that the Board pays for the service as the Accountant, though not authorized by the Board, acted as an agent in commissioning the works. This prompted the Permanent Secretary to seek financial allocations from Treasury to settle the claim;

(iv) the project was later revived by the Board in 1991 after which the Attorney General advised that a valuation of works be done to establish whether the works undertaken by the Consultant architect were worthless and if otherwise, then payment be effected by the Board. The valuation was duly undertaken by the Ministry of Roads and Public Works whose recommendation was communicated through letter Ref No. 13.CSA(P/Q/293) for payment of

Kshs.9,257,337.95 being "architectural fees due up to detailed design stage";

(v) the Permanent Secretary settled the claim through the Board's grant receivables from the Ministry's vote after which other Consultants raised their fee notes, amounting to Kshs.17,157,262 which to-date, the Board has not honoured due to the fact that they had not undertaken any works to warrant payment; and

(vi) as at the February, 2007, the issue was before the Pending Bills Committee awaiting determination.

The Committee observed that: -

(i) even though the Architects and Quantity Surveyors Act stipulates that "under the Architects and Quantity Surveyors Act, fees become payable upon commissioning", the Quantity Surveyors did not present their case in court until after 1999, (eleven years after Commissioning);

(ii) the Board has a moral obligation to disregard the payments as no works for the project were initiated to warrant the contractors to demand the payment of Kshs.17,157,262; and

(iii) when the Ministry of Roads and Public Works in 1994 did a valuation of the project and amounts payable, the figures for the other consultants would have been communicated to the Permanent Secretary, if in the opinion of the Ministry the consultants had any basis for payment.

The above notwithstanding, the Committee noted with concern that the project was irregularly awarded without adequate budget and that the officer who irregularly committed the funds is now deceased.

The Committee therefore recommends that:-

(i) the Board immediately engages the services of independent lawyers to move for dismissal of the suit in court in line with the Limitation of Actions Act;

(ii) no further payments whatsoever should be made on the account of the said proposed extension of KNLS headquarters; and

(iii) the Chief Executive ensures that effective structures and proper controls are put in place to avoid irregular commissioning of

projects without the requisite authority and/or appropriate budgetary provisions.

3. DEBTORS

The debtors balance of Kshs.1,597,770 as at June 2000 includes cash advances totaling Kshs.731,043 made to seven retirees of the Board on the grounds that their pension contributions were still held by Kenya National Assurance Company (now in Liquidation). However, there was no information available to confirm that the liquidators of the Kenya National Assurance Company had given any undertaking to repay to the Board the advances of Kshs.731,043. Under the circumstances, therefore, it has not been possible to confirm the recoverability of the debt of Kshs.731,043 shown as recoverable from the liquidators of the defunct Kenya National Assurance Company.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Board paid ex-employees Kshs.731,042,.45 being payments in lieu of their outstanding pension claims from the Kenya National Assurance Company.

The Committee was informed that the amount paid to the ex-employees amounted to 80% of their total pension dues and that it was meant to be recovered from their Pensions once the Kenya National Assurance liquidators released the same.

The Committee was further informed that to date, only Kshs.190,466.60 has been paid to the Board, leaving a balance of Kshs.540,575.50 outstanding and that it is unclear when the balance will be settled.

While noting the humanitarian grounds on which ex-employees were advanced the Kshs.731,042.45 by the Board, the Committee was concerned that there was no budgetary provision for the said payment and that authority of the parent Ministry was not sought. Further, the Board has not been keen to follow up the matter of unpaid pension dues, given the long period that has lapsed since the last was payment received in May 2005.

The Committee therefore recommends that the Chief Executive follows the matter expeditiously to ensure that the funds are released to the Board.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF THE KENYA NATIONAL LIBRARY SERVICE FOR THE YEAR ENDED 30 JUNE 2001

1. FIXED ASSETS

As reported in the previous year, the Fixed Assets balance of Kshs.192,068,640 includes the value of eight (8) plots without title deeds but excludes undetermined value of three plots with title deeds and eleven (11) plots without title deeds. Although management has initiated steps to acquire the title deeds, until the process is completed, it would not be possible to confirm the correctness of the Balance Sheet Fixed Assets figure of Kshs.192,068,640 as at 30 June 2001 or even the ownership of the nineteen (19) plots of land.

The Committee heard the evidence from the Chief Executive that during the year under review, the Fixed Assets figure of Kshs.192,068,640 included value of Kshs.16,864,000 being value of eight plots which do not have title deeds.

The Committee was informed that the Board has managed to have 11 plots valued while title deeds have already been processed for seven parcels of land in Laikipia, Mwingi, Garissa, Ukwala, Lusumu, Rambula and Kapsabet. Of its 22 plots, only two plots in Maua and Kibera have not been valued while the rest have had valuations done and the processing of title deeds and registration was in progress.

The Committee recommends that the Management moves with speed to have ownership of the plots regularized and titles issued to the Board.

2. LOSS OF BOOKS – KSHS.2,382,381

During the year 2000/2001, the Library Service lost a total of 7,935 copies of books valued at Kshs.1,760,410 which were reported missing from its branches countrywide. The Library Service also lost unspecified stocks of books valued at Kshs.621,971 thereby brining the total value of the books lost to Kshs.2,382,381 as at 30 June 2001. Although management has instituted a number of measures to enhance security with a view to curbing the losses, the effectiveness of these measures will only be gauged once they have become operational. Further, although the Board of Directors, at its meeting held on 07 December, 2001 approved the loss to be written off, no evidence was seen of efforts made to recover the loss from those who were involved before the write off option was taken.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Board lost a total of 7,935 books in all its branches, valued at Kshs.2,382,381.

The Committee was informed that the value of the books lost was immaterial and represented only 1% of the total book stock of 7,935 and that the Board approved the figure for write-off, as the loss had accumulated over a five-year period.

The Committee was further informed that the Board has effected several measures to curb loss of books including the following:-

(a) Installation of 3 M Security detection equipment in Mombasa, Nairobi, Kisumu, Nyeri and Eldoret.

(b) Privatization of security services on most of the branches, which recorded high book losses namely Nairobi, Kakamega, Thika, Kisii, Mombasa, Kapsabet and Ol Kalou.

(c) Instituting monitoring of library users by ensuring only one entry and exit.

The Committee however was concerned that though the 745,648 books may look negligible by the Board's standards, an inventory of the books lost was not undertaken to establish the value of the material actually lost.

The Committee therefore recommends that the Board develops a policy on the magnitude of losses that could be sustained by the Board and that which would require write off.

The Committee further recommends that the government funds the Board to install adequate security systems like 3 M Security detection equipment in all its stations. The KNLS should also invest in Information Communication Technology to fully meet its intended objective.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF THE KENYA NATIONAL LIBRARY SERVICE FOR THE YEAR ENDED 30 JUNE 2002

CLEAN ACCOUNTS.

The Committee noted that the accounts of the Service for the year ended June 30, 2002 received an unqualified opinion of the Controller and Auditor General.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF THE KENYA NATIONAL LIBRARY SERVICES FOR THE YEAR ENDED 30 JUNE 2003

FIXED ASSETS

The Fixed Assets figure of Kshs.208,911,067 as at June, 2003 does not include value for seven (7) and nine (9) developed and undeveloped plots respectively situated in various parts of the country for which no ownership documents were availed for audit verification. The Kenya National Library Service has however, explained that the applications for ownership documents have been made to the Commissioner of Land. However, until the plots are registered in the Kenya National Library Service name and valued, it will not be possible to confirm the ownership of the assets or the carrying value of fixed assets.

The Committee heard the evidence from the Chief Executive that during the year under review, the Fixed Assets figure of Kshs.208,911,067 included value of Kshs.16,864,000 being value of seven plots which do not have title deeds.

The Committee was informed that the Board has managed to have 11 plots valued while title deeds have already been processed for seven parcels of land in Laikipia, Mwingi, Garissa, Ukwala, Lusumu, Rambula and Kapsabet. Of its 22 plots, only two plots in Maua and Kibera have not been valued while the rest have had valuations done and the processing of title deeds and registration was in progress.

The Committee recommends that the Management moves with speed to have ownership of the plots regularized and titles issued to the Board.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE KENYA NATIONAL EXAMINATIONS COUNCIL FOR THE YEAR ENDED 30TH JUNE 2001.

1. WORK IN PROGRESS

Reference has repeatedly been made in previous reports regarding the Work-In-Progress balance of Kshs.61,979,845 which has remained static since 30 June 1991. As previously indicated, the amount relates to expenditure on Mitihani House, a project which stalled in December, 1989. A review of the matter during the year 2000/2001 showed that no progress has been made with regard to the stalled project despite Parliamentary recommendation that the Council clears pending certificates to facilitate revival and completion of the Project.

The Committee was informed that owing to the directive given by the Public Investments Committee that the Chief Executive, in liaison with the parent Ministry and the Ministry of Finance and Planning should clear the pending certificates as agreed during the mutual winding up of the project; and that he should endeavour to complete the project to avoid further escalation of building costs. The following action was taken to resolve the issue on Mitihani House Project:-

(i) the Ministry of Education and the Council appointed a Technical Committee consisting of representatives from the Ministries of Education, Public Works and Housing and the Kenya National Examinations Council whose mandate was to study and make recommendations on the stalled building. The Committee recommended inter-alia, that the contract be terminated by mutual consent and that the contractor be paid all his outstanding dues and the project be handed over to the Council;

(ii) a meeting involving the Ministry of Education, the Contractor and Kenya National Examinations Council agreed that the project be handed over to the client (KNEC), and the handing over took place on 10th June 2002 after the Ministry of Education cleared the outstanding debts;

(iii) due to the large sum of money required to complete the projected as per the original design, the Council decided to divide and complete the project in the three phases as follows:-

Phase 1:	Printing Unit
Phase 2:	Basement and ground floor up to the podium.
Phase 3:	Office Tower.

(iv) a Technical Committee from the Ministry of Roads and Public Works prepared tender documents for Phase 1 and were duly approved by the Full Council on the 19th October 2004. An advertisement for the tender was done on 10th November 2001;

(v) the Tender for Phase 1 which is the Printing Unit was awarded for a sum of Kshs.112,274,038 and works started on 7th February 2005 and works on Phase 1 have been finalized and the Council has already moved in and started operations;

(vi) the second phase involved the construction of the basement and the ground floor up to the podium and related civil engineering works was expected to begin in September 2006. The phase is expected to be competed in 18 months at a cost of Kshs.342,713,943. The Government had allocated the project Kshs.110 million in the financial year 2006/2007; and

(vii) Phase 3 works for the Office Tower Blocks will be tendered for after completion of Phase 2.

The Committee noted the efforts made by the Council on the project and recommends that funds be sought to complete the entire project as initially planned.

2. DEBTORS

Included in the Balance Sheet Debtors figure of Kshs.17,461,012 as at 30 June 2001 are prepayments amounting to Kshs.4,788,989 which in turn include Kshs.2,126,117, being un-surrendered balance of an amount paid during the year under review to Lenana High School as an Examinations Marking Centre. As at the date of this Report, the School had only refunded Kshs.150,000 to the Council. Although the Council has explained that the issue is being handled by the Ministry of Education, Science and Technology together with the Teachers Service Commission and itself, it is not, however, clear why prompt and direct recovery action has not been instituted with the school.

The Committee heard the evidence given by the Chief Executive that during the year under review, part of the Kshs.5,363,009 advanced to Lenana School to host examiners, has not been fully accounted for.

The Committee was informed that:-

(i) the Council had invited 648 examiners who were supposed to be accommodated at the Lenana School marking centre, but only 550 showed up. The school was therefore advanced Kshs.1,026,134 for

accommodation vide cheque No.667691. Another cheque No. 665593 for Kshs.5,363,009 for travel and subsistence, basic script fees and out of pocket allowances was advanced with an invoice attached, showing payment details. The money advanced was adequate to cover all allowances for the officers marking at the center;

(ii) the school paid only 17% and 16% to the Technical and Business Examiners respectively whereas money had been advanced for full payment;

(iii) the receipt forwarded by the school to cover the cheques could not account for Kshs.1,282,717

The Committee was informed that arising from the incident, the Council has put in place measures to curb misuse of funds by their agents:-

(i) advancing 50% of estimated accommodation bill and the balance becomes payable after the marking exercise is over to ensure that payments are based on actual attendance;

(ii) other payments are made once the number of examiners in a Centre has been determined; and

(iii) all other payments are made after clearance by a Council Officer deployed at each marking centre.

The Committee was further informed that even though the officers involved were dismissed by the Board, it is not clear what legal action has been taken against the then Principal and the Finance Officer for the fraud and for committing the school to debts they ought to have personally borne.

The Committee noted with concern that the school has been forced to pay Kshs.1,281,717 from school earnings and students have been denied services and yet the culprits have gone unpunished.

The Committee recommends that the then Principal of Lenana School, Mr. M.O. Otieno and his Finance Officer be held responsible for the loss of Kshs.1,281,717 and recovery made with immediate effect.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF THE KENYA NATIONAL EXAMINATIONS COUNCIL FOR THE YEAR ENDED 30TH JUNE 2002.

1. WORK IN PROGRESS – MITIHANI HOUSE PROJECT

Reference has in the past reports, been made regarding the Work-In-Progress balance of Kshs.61,979,845 which has remained static since 30 June 1991. The amount relates to expenditure on Mitihani house, a project which stalled in December, 1989. A review of the position during the 2000/2001 showed that Government and the contractor mutually agreed to terminate the project and although the project was handed over to the client in October 2002 no progress has so far been made towards its revival and the project is still in a dormant state as at the date of signing this report.

The Committee was informed that owing to the directive given by the Public Investments Committee that the Chief Executive, in liaison with the parent Ministry and the Ministry of Finance and Planning should clear the pending certificates as agreed during the mutual winding up of the project; and that he should endeavour to complete the project to avoid further escalation of building costs. The following action was taken to resolve the issue on Mitihani House Project:-

(i) the Ministry of Education and the Council appointed a Technical Committee consisting of representatives from the Ministries of Education, Public Works and Housing and the Kenya National Examinations Council whose mandate was to study and make recommendations on the stalled building. The Committee recommended inter-alia, that the contract be terminated by mutual consent and that the contractor be paid all his outstanding dues and the project be handed over to the Council;

(ii) a meeting involving the Ministry of Education, the Contractor and Kenya National Examinations Council agreed that the project be handed over to the client (KNEC), and the handing over took place on 10th June 2002 after the Ministry of Education cleared the outstanding debts;

(iii) due to the large sum of money required to complete the projected as per the original design, the Council decided to divide and complete the project in the three phases as follows:-

Phase 1: Printing Unit

Phase 2: Basement and ground floor up to the podium.

Phase 3: Office Tower.

(iv) a Technical Committee from the Ministry of Roads and Public Works prepared tender documents for Phase 1 and were duly approved by the Full Council on the 19th October 2004. An advertisement for the tender was done on 10th November 2001;

(v) the Tender for Phase 1 which is the Printing Unit was awarded for a sum of Kshs.112,274,038/= and works started on 7th February 2005. Works on Phase 1 have been finalized and the Council has already moved in and started operations;

(vi) the second phase involved the construction of the basement and the ground floor up to the podium and related civil engineering works was expected to begin in September 2006. The phase is expected to be competed in 18 months at a cost of Kshs.342,713,943. The Government had allocated the project Kshs.110 million in the financial year 2006/2007.

(vii) Phase 3 works for the Office Tower Blocks will be tendered for after completion of Phase 2.

The Committee noted the efforts made by the Council on the project and recommends that funds be sought to complete the entire project as initially planned.

2. DEBTORS

Included in the Debtors balance of Kshs.15,054,326 as at 30 June 2002 are prepayments amounting to Kshs.4,446,353 which, in turn, include Kshs.2,126,117, being un-surrendered balance of an amount paid during the year 2000/2001 to Lenana High School as an Examinations Marketing Centre. The school has so far refunded only Kshs.150,000 to the Council with no indication as to when the balance of Kshs.1,976,117 would be settled.

The Committee heard the evidence given by the Chief Executive that during the year under review, part of the Kshs.5,363,009 advanced to Lenana School to host examiners, has not been fully accounted for.

The Committee was informed that:-

(i) the Council had invited 648 examiners who were supposed to be accommodated at the Lenana School marking centre, but only 550 showed up. The school was therefore advanced Kshs.1,026,134 for accommodation vide cheque No.667691. Another cheque No. 665593 for Kshs.5,363,009 for travel and subsistence, basic script fees

and out of pocket allowances was advanced with an invoice attached, showing payment details. The money advanced was adequate to cover all allowances for the officers marking at the centre;

(ii) the school paid only 17% and 16% to the Technical and Business Examiners respectively whereas all the money had been advanced for full payment; and

(iii) the receipt forwarded by the school to cover the tow cheques could not account for Kshs.1,281,717.

The Committee was informed that arising from the incident, the Council has put in place measures to curb misuse of funds by their agents by:-

(i) advancing 50% of estimated accommodation bill and the balance becomes payable after the marking exercise is over to ensure that payments are based on actual attendance;

(ii) other payments are made once the number of examiners in a Centre has been determined; and

(iii) all payments are made after clearance by a Council Officer deployed at each marking centre.

The Committee was further informed that even though the officers involved were dismissed by the Board, it is not clear what legal action has been taken against the then Principal and the Finance Officer for the fraud and for committing the school to debts they ought to have personally borne.

The Committee noted with concern that the school has been forced to pay Kshs.1,281,717 from school earnings and students have been denied services and yet the culprits have gone unpunished.

The Committee recommends that the then Principal of Lenana School Mr. Otieno and his Finance Officer be held responsible for the loss of Kshs.1,281,717.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF NYAYO TEA ZONES DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30TH JUNE 1997.

1. FINANCIAL POSITION

The Corporation's financial performance continued to deteriorate during the year under audit as it ended with a deficit of Kshs.82,125,600 compared to a deficit of Kshs.22,595,991 in 1995/1996. Income increased by Kshs.22,915,379 while expenditure increased by Kshs.72,690,010. The Corporation's adjusted accumulated funds have decreased to Kshs.258,314,300 from Kshs.360,476,800 as at 30 June 1996 which gives an indication that the Corporation did not exercise adequate control over its expenditure.

The Committee heard the evidence given by the Chief Executive that the financial performance of the Corporation continued to deteriorate in the year under review and that budget allocations were exceeded in five items leading to an excess of Kshs.25,212,440 against a budgeted figure of Kshs. 3,838,360.

The Committee was informed that the deficit was attributable to decline in tea prices, increase in cost of production and non-receipt of government grants. Over-expenditure on the other hand was caused by insurance cover for 15 new pickups and the payment of rent and rates in respect of a house for a new Managing Director.

The Committee observed with concern that the Corporation did not obtain approval for the over expenditure from the relevant authorities.

The Committee recommends that the Chief Executive should seek *post-facto* approval to regularize the over expenditure from the Ministry of Finance.

2. CASH AND BANK BALANCE

The following discrepancies were noted between the reconciled cashbook balances and the figures reflected in the accounts:-

A/C Name	Balance as per Reconciliation	Balance as per Accounts	Discrepancy
Current Account	(1,846,604.50)	1,147,691.95	(2,994,296.45)
ADF Current Account	2,939,050.00	2,826,261.10	112,788.90
Savings Account	1,122,170.60	2,312,147.10	1,189,976.50

Further, according to the Board of Survey, cash in hand as at 30 June 1997 was Kshs.204,896.40. However, the accounts reflected Kshs.277,239.95 as cash in hand. No explanation has been given for these discrepancies and in the circumstances, I am

unable to confirm that the Balance Sheet Cash and Bank balances figure of Kshs.38,126,800 is fairly stated.

The Committee heard the evidence given by the Chief Executive that during the year under review, the figures reflected in the Current Account, ADF Current Account and the Savings Account were at variance with reconciled cashbook balances.

The Committee was informed that discrepancies of Kshs.2,994,296.45 in the Current Account, Kshs.112,788.90 in the ADF Account and Kshs.1,189,976.50 in the Savings Account have since been rectified and adjustments made in the journal vouchers in the 1997/98 financial years. The details have been verified thereby resolving the audit query.

3. MANAGEMENT CONTRACT

In the report on the accounts for 1995/1996, it was observed that the Corporation had entered into a management contract with a company in similar line of business to act as managing agents of the tea zones in Nandi and Kakamega Districts from 1 April 1993 to 31 March 1996 at a monthly fee of Kshs.46,666 and thereafter at a management fee calculated at 2½ of gross turnover from the plantations. During the year under audit, the sales expenses on green leaf account by the Managing Agent resulted in a loss of Kshs.2,008,150. It would appear that the contract is not beneficial to the Corporation and in the circumstances, I am unable to confirm the propriety of the expenditure incurred on the Managing Agent.

The Committee heard the evidence given by the Chief Executive that the Corporation entered into a management contract with M/s. George Williamson Ltd to manage Nandi and parts of Kakamega Tea Zones and the Agent charged higher security rates as it had to provide security surveillance to nurseries and planted sites.

The Committee further heard that the Agent charged costs that covered green leaf transport, supervision costs and management fees, which brought about huge losses to the Corporation.

The Committee noted that the contract had since been terminated.

The Committee recommends that the Corporation in future only engages in those projects which add value to the Corporation.

4. WORK IN PROGRESS

In the reports for the years 1994/95 and 1995/96, reference was made to an expenditure against Work-In-Progress of Kshs.3,771,141, which represented payments

made to a contractor to erect 15 office blocks and 30 category 'G' timber fabricated units at a contract sum of Kshs.8,283,500. The contract was later terminated. The amount included a payment for materials not delivered by the contractor. A review of the position during the year ended 30 June 1997 indicates unchanged position in that the expenditure against Work-In-Progress of Kshs.3,771,141 is still reflected in the Balance Sheet Fixed Assets Figure of Kshs.69,994,700.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation's Fixed Assets figure of Kshs. 27,442,470 included an amount of Kshs.23,771,141 as work in progress for which Kshs.3,771,141 had been paid to a contractor, M/s. Muturi Construction Company for works not done.

The Committee also heard that the amount arose from a construction contract with the company, at contract fee of Kshs. 8,283,500 out of which materials worth Kshs. 3,771,141 were not delivered by the time the contract was terminated, and the Corporation won a case against the company in the High Court, which ruled that the company be wound up.

The Committee was informed that the Corporation has since engaged the services of a private investigator to conduct a second investigation on the assets of the company before going into its winding up process as decided by the court.

The Committee reiterates its earlier recommendation in the 11th Report, page 68, that the Chief Executive should pursue the recovery of the money, using the most cost-effective way and report progress to the Committee by June 30, 2008.

5. ESTABLISHMENT COST – KSHS.237,534,500

As mentioned in previous years reports, the establishment cost of Kshs.237,534,500 shown in the Balance Sheet as at 30 June 1997 does not include the value of land on which the tea is established. Although the tea is grown on government land, I still have no information on the understanding between the Corporation and the Government over the land. In the circumstances, I am unable to express an opinion as to whether or not the balance of Kshs.237,534,500 establishment cost, shown in the Balance Sheet, after amortization of Kshs.12,501,800 is a fair value of the tea established by the Corporation.

The Committee heard the evidence given by the Chief Executive that the value of land is not included in the establishment cost as the land the Corporation operates on is still part of the government gazetted forests and that following Legal Notice No. 30 of 2002, the Corporation could now acquire title deeds.

The Committee noted that the Corporation is liaising with the relevant government departments with a view to getting title deeds for its land.

The Committee reiterates its earlier recommendation in the 11th Report page 67 that the Chief Executive should move expeditiously to obtain title deeds for the land where tea is planted.

6. UNSUPPORTED EXPENDITURE

In the reports for the years 1993/94, 1994/95 and 1995/96, reference was made to Kshs.7,907,601 which was part of the Establishment cost of Kshs.80,695,112, which had not been accounted for. A review of the position in 1996/97 revealed that no action has been taken to recover the unaccounted for amount of Kshs.7,907,601 from the officers responsible for the expenditure at the material time as recommended by the Public Investment Committee in its 5th Report.

The Committee heard the evidence given by the Chief Executive that an amount of Kshs. 7,907,601 reflected expenditure that was still unaccounted for.

The Committee also heard that the Corporation has since handed over the matter to the Office of the President, as officers concerned were District commissioners.

The Committee reiterates its earlier recommendation in the 11th Report page 68 that the following then District Commissioners Messrs; Joel Waupari, Anthony Oyier, John Sala, Francis Tilitei and S.K Limo should be investigated by the Director of Criminal Investigations Department with a view to prosecuting them for misappropriation of public funds and recover the outstanding amounts.

7. DEBTORS, ADVANCE AND PREPAYMENTS
Staff Debtors – Kshs.1,867,321

Included in the Balance Sheet Debtors, Advance and Prepayments amount of Kshs.90,008,400 is an amount of Kshs.1,867,321 reflected as staff debtors. Available information indicates that this represents amounts fraudulently paid to various staff members. No evidence was seen to show that any effort was made to recover the amount from the officers held responsible for this fraud.

The Committee heard the evidence given by the Chief Executive that during the year under review, Kshs.1,867,321 was fraudulently paid to various staff.

The Committee was informed that the Corporation, through the assistance of the Criminal Investigations Department has recovered Kshs.1,114,627.25 and the balance of Kshs.721,094 has remained outstanding to date.

The Committee was concerned that the amount of Kshs.721,094 has remained outstanding since 1997 when investigations were launched and that the Management has been slack in pursuing payment.

The Committee recommends that the Managing Director moves with speed to ensure full recovery of the outstanding amount by December 31, 2007.

8. AMOUNT HELD IN IMPREST – KSHS.17,454,200

Included in the Balance Sheet amount held in Imprest figure of Kshs.17,454,200 is Kshs.11,125,400 Standing Imprest for which no schedules were made available for audit verification. I have not therefore, been able to confirm the accuracy and recoverability of the Balance Sheet Imprest figure of Kshs.17,454,200.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Balance Sheet amount of Kshs.17,454,200 included Kshs.11,125,400 being outstanding imprests.

The Committee was informed that the schedule relating to the expenditures have since been availed to the auditors and have been verified, thereby resolving the audit query.

9. CLEARANCE OF VEHICLES AND SPARE PARTS – KSHS.4,802,320.

After some bilateral negotiations between Kenya and Italy, a contract No.009/K/96 was concluded and signed in 1996 for the supply to the Corporation of 12 trucks – Iveco model MLI 20E 3118H (together with spare parts) equipped with the transportation of tealeaf bags. In November 1996, the Corporation received a letter from Treasury enclosing shipping documents in respect of the items supplied under the above contract and indicating the goods destination as Nairobi. This notwithstanding, the Corporation engaged the services of a clearing firm at a total cost of Kshs.4,802,320. No satisfactory explanation has been given for this avoidable expenditure since all the costs were included in the Commodity Aid Grant and in the circumstances, the charge of Kshs.4,802,320 against public funds is not justified.

The Committee heard the evidence given by the Chief Executive that the Corporation engaged the services of a clearing agent at a cost of Kshs.4,802,320 to clear 12 Iveco trucks supplied by the Italian Government, under the Commodity Aid Grant.

The Committee was informed that:-

(i) **the consignment was CIF (Cost Insurance and Freight) paid to Nairobi though duty was to be borne by the Corporation within 21 days on entry**

of the goods, failure to which it would attract demurrage charges and custom warehouse charges;

(ii) the Corporation sought quotations from five firms in the clearance of the vehicles, out of which Saroman Freight Contractors Ltd were selected to undertake the job, at a cost of Kshs.593,535;

(iii) on 3rd December 1996 after arrival of goods at the Port of Mombasa, the then Chief Executive Mr. J. K. Sigei wrote to the Permanent Secretary, Provincial Administration, requesting him to seek waiver of duty and VAT payable;

(iv) on the same day, the then Chief Executive granted the Transport Officer authority to look for a clearing firm and further approved the request for acquiring the services of a clearing and forwarding firm through quotations, instead of open tender, not withstanding the fact that he had in his possession Bills of Lading, which clearly stipulated that the Supplier, the Italian Government, would take care of sea freight and inland transportation of the consignment;

(v) on 10th January 1997, the Permanent Secretary Treasury, wrote to the Commissioner General, Kenya Revenue Authority, conveying the approval of the Minister for Finance to waive customs duty, excise duty and VAT payable on the trucks and spare parts on condition that the same would not be sold, and the same was copied to the Permanent Secretary, Provincial Administration and Internal Security and the Managing Director, Nyayo Tea Zones, who received the letter on 14th January 1997; and

(vi) on 27th January 1997, notwithstanding the waiver of duty and VAT from Treasury and the bills of lading clearing indicating destination Nairobi, the then Chief Executive gave approval for Kshs.3,712,750, being total cost for port charges and custom warehouse rent and a further Kshs.1,089,570 on freight contractors, both costs that had already been catered for by the Kenyan and Italian Government, respectively.

The Committee noted with concern that the then Managing Director Mr. J. K. Sigei;

(i) did not act in the best interest of the Corporation by committing the Corporation to an avoidable expenditure of Kshs.4,802,320;

(ii) disregarded the waiver of taxes by the Treasury, which he had sought in the first place; and

(iii) **single sourced freight contractors when fully aware that the cost had already been borne by the donor.**

The Committee recommends that the then Managing Director Mr. J. K. Sigei be surcharged for the avoidable loss of Kshs.4,802,320.

10. STOCKS

The Stocks balance of Kshs.77,232,600 reflected in the Balance Sheet as at 30 June 1997 did not agree with the total of Kshs.65,931,359 reflected by the stock sheets. The difference of Kshs.11,301,241 has not been reconciled by the Corporation. Consequently, it was not possible to ascertain the accuracy of the Balance Sheet Stock Figure of Kshs.77,232,600.

The Committee heard the evidence given by the Chief Executive that during the year under review, the ledger balance of Kshs.77,232,600 differed from the stock balance sheets balance of Kshs.65,931,359.

The Committee was informed that the figures have since been reconciled and verified by the auditors, thereby resolving the audit query.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF NYAYO TEA ZONES DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30TH JUNE 1998.

1. WORK IN PROGRESS

In the report of the previous year, reference was made to the expenditure of Kshs.3,771,141 against Work-In-Progress, which represented payments made to a contractor to erect 15 office blocks and 30 category 'G' timber prefabricated units at a contract sum of Kshs.8,283,500. The expenditure also included payment for materials not delivered by the contractor at the time the contract was terminated. A review of the position during the year 1997/98 showed no progress on the matter and the Work-In-Progress balance of Kshs.3,771,141 is still included in the Balance Sheet Fixed Assets figure of Kshs.56,582,000 as at 30 June, 1998.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation's Fixed Assets figure of Kshs. 27,442,470 included an amount of Kshs. 23,771,141 as Work-in-Progress for which Kshs. 3,771,141 had been paid to a contractor, M/s. Muturi Construction Company for works not done.

The Committee also heard that the amount arose from a construction contract with the company, at contract fee of Kshs. 8,283,500 out of which materials worth Kshs. 3,771,141 were not delivered by the time the contract was terminated. The Corporation filed a case against the company at the High Court, and ruling was made that the company be wound up.

The Committee was informed that the Corporation has since engaged the services of a private investigator to conduct a second investigation on the assets of the company before going into its winding up process as decided by the court.

The Committee reiterates its earlier recommendation in the 11th report, page 68, that the Chief Executive should pursue the recovery of the money, using the most cost-effective way.

2. ESTABLISHMENT COST

The Establishment Cost of Kshs.228,154,700 shown on the Balance Sheet as at 30 June 1998, and as was the case in previous years, does not still include the value of land on which the tea is established. Although the tea bushes are on Government land, there is no information concerning the understanding between the Corporation and the Government regarding the ownership of the land. In the circumstances, I am still unable to confirm that the Establishment Cost balance of Kshs.228,154,700 reflected in the Balance Sheet after amortization of Kshs.11,876,700 as at June 1998, fairly represents the correct position of tea established by the Corporation.

The Committee heard the evidence given by the Chief Executive that the value of land is not included in the establishment cost as the land the Corporation operates on is still part of the government gazetted forests and that following legal No. 30 of 2002 the Corporation could now acquire title deeds.

The Committee noted that the Corporation is liaising with the relevant government departments with a view to getting title deeds.

The Committee reiterates its earlier recommendation in the 11th Report page 67 that the Chief Executive should move expeditiously to obtain title deeds for the land where tea is planted.

3. UNSUPPORTED EXPENDITURE

In the reports for the years 1993/94 to 1996/97, reference was repeatedly made to an amount of Kshs.7,907,601 being part of the Establishment Cost of Kshs.80,695,112 and which had not been accounted for. Although I have been informed that action has since been taken to have the amount recovered from officers responsible for the unsupported expenditure, as far as it has been possible to ascertain, no such recoveries have been realized.

The Committee heard the evidence given by the Chief Executive that an amount of Kshs.7,907,601 reflected expenditure that was still unaccounted for.

The Committee also heard that the Corporation has since handed over the matter to the Office of the President, as officers concerned were District Commissioners.

The Committee reiterates its earlier recommendation in the 11th Report page 68 that the following then District Commissioners Messrs; Joel Waupari, Anthony Oyier, John Anguka, John Sala, P.K Muruatetu, Francis Tilitei, S.K Limo and Paul Genga should be investigated by the Director of Criminal Investigations Department with a view to prosecuting them for misappropriation of public funds and recover the outstanding amounts.

4. CAR LOAN BY EMPLOYEE

In November 1992, the Corporation advanced a car loan to one of its officers without taking due care to safeguard its interest by endorsing co-ownership on the vehicle's registration book. At the time of the officer's retirement in 1993, there was an outstanding loan balance of Kshs.291,700. The Corporation did not recover this balance from the officer's terminal benefits and although it has stated that the matter has been taken to court for recovery of the debt, the case is apparently still pending in court and the amount of Kshs.291,700 is, therefore, still outstanding against the ex-employee.

The Committee heard evidence given by the Chief Executive that during the year under review, the Corporation advanced a car loan to an employee and on his retirement, the Kshs.291,700 outstanding loan balance was not recovered from his terminal benefits and the amount is outstanding to-date.

The Committee was informed that legal action was taken against the officer, namely Mr. Ted Njagi. Judgment was obtained on 21st July 2002 vide Criminal Case No.1514/1999. The debtor however obtained stay order of execution of the judgment pending appeal, which has not been heard to-date.

The Committee was concerned that the matter was not handled professionally as the Corporation's lawyers should have ensured that adequate surety was deposited in court to take care of the costs of the car and the appeal.

The Committee noted that the matter has been pending since 2002 and the Corporation has been lax in following up the matter.

The Committee recommends that:-

(i) the Chief Executive moves with speed to have the appeal determined; and

(ii) the Chief Executive recruits a Company Secretary to handle legal matters in the Corporation.

5. MANAGEMENT CONTRACT

Reference was also made in the previous year's report that the Corporation entered into a Management contract with a Company, which was in a similar line of business and that the Corporation appointed that another Company be its Agent in Nandi and Kakamega Districts Tea Zones on payment of a monthly fee of Kshs.46,666 from 01 April, 1993 to 31 March 1996 and thereafter, at a management fee of 2½ gross turnover from the plantations. During the year under review, the Corporation's Tea Zones delivered 2,815,543 Kgs of Green Leaf to the Agent's factory, for which the Agent offered Kshs.20.45 per kilogram whereas other factories in the same locality and which operate under the same climatic and other infrastructural conditions with the Agent, paid a higher price of Kshs.22.93 per kilogram, thus occasioning and apparent underpayment of Kshs.6,982,547. As was the case in 1996/97, it is still not possible to establish whether or not the Corporation's appointment of its competitor to manage the Corporation's tea plantations and Green Leaf sale affairs was a prudent decision.

The Committee heard the evidence given by the Chief Executive that the Corporation entered into a management contract with M/s. George Williamson Ltd to manage Nandi and parts of Kakamega Tea Zones and the Agent charged

higher security rates as it had to provide security surveillance to nurseries and planted sites.

The Committee further heard that the Agent charged costs that covered both green leaf transport and supervision costs, monthly fees and management fee, charges which brought about huge losses to the Corporation

The Committee noted that the contract had since been terminated.

The Committee recommends that the Corporation in future only engages in those projects which add value to the Corporation.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF PYRETHRUM BOARD OF KENYA FOR THE YEAR ENDED 30 JUNE 1998.

1. COMPOSITION OF THE BOARD

During the year under review, the Board of Directors comprised of fifteen members contrary to Section 4(2) of the Pyrethrum Board Act (Cap 340), which provides for only fourteen Board members. Apart from the fact that the Board and the Ministry have not advised me as at why they acted outside the provisions of the law, the expenditure of Kshs.625,800 incurred on the extra Board member during the year 1997/98 is considered irregular.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation's Board comprised of 15 members contrary to section 4 (2) of the Pyrethrum Act (Cap 340);

The Committee was informed that: -

(i) **Mr. Wilson K. Chebiegon was appointed vide a letter from the Minister for Agriculture dated July 4, 1996 one month after gazettement of the 14 members of the Board. Subsequently, the additional member was not gazetted;**

(ii) **the Corporation incurred a total of Kshs. 641,809 in form of allowances paid to the extra member of the Board; and**

(iii) **the Corporation's Board is currently properly constituted.**

The Committee observed with concern that the Corporation's management allowed and paid allowances to non-gazetted persons in the Board.

The Committee further expressed concern that the Minister for Agriculture acted contrary to section 4 (2) of the Pyrethrum Act (Cap 340) by appointing the additional member into the Board.

The Committee recommends that the then Minister for Agriculture Hon. Simeon Nyachae, who acted *ultra vires* to the law together with then Chief Executive, Mr. Joshua Chebor Kiptoon who authorized payments to the additional Member who was not gazetted, be held responsible and the amount of Kshs.641,809 being the irregular allowances paid to the extra board member, be recovered from them by December 31st, 2007.

2. PAYMENT OF ALLOWANCES TO BOARD MEMBERS

The expenditure of Kshs.7,972,263 reflected in the Board's accounts as payment of allowances to Board members includes unauthorized payments totaling Kshs.5,073,643 in respect of transport, sitting and accommodation allowances paid to its Board members in excess of those approved by the Government.

The Board's records show that the approved rates per sitting is Kshs.1,000 while the rate actually paid was Kshs.2,000 per day. The maximum approved accommodation allowance is Kshs.1,250 per night while that actually paid was Kshs.3,000 per day. In addition, the approved mileage claims rates range between Kshs.7.20 and Kshs.15.60 per kilometer while the rates paid range between Kshs.18.05 and Kshs.35.45 per kilometer for various categories of motor vehicles. As the payment of these allowances was not approved in accordance with Section 10(1) and 10(2) of the State Corporations Act, the extra expenditure of Kshs.5,073,643 is therefore, considered irregular.

The Committee heard the evidence given by the Chief Executive that the Board incurred an expenditure of Kshs.7,972,263 on allowances for its Members which included unauthorized payments totaling Kshs5,073,643., without seeking approval in accordance with Section 10(1) and 10(2) of the State Corporations Act.

The Committee was informed that on its Sitting of 14th June 1996, the Board approved an increase in sitting, accommodation and mileage allowances in accordance with Section 36(2) (c) of Pyrethrum Act (Cap 340) as follows: -

Allowance	Previous	Revised
Subsistence	Kshs.1,000	Kshs.2000
Sitting	Kshs.1,250	Kshs.3000
Mileage	Kshs.7.20 – 15.60	Kshs.18.05 to 35.45

The Committee expressed displeasure on the manner in which the Board increased its allowances culminating to the unapproved expenditure of Kshs 5,073,643.

The Committee noted that the approval to pay the new rates was not sought as is the requirement and recommends that the Management seeks *post facto* approval to regularize the said expenditure.

3. DEBTORS AND PREPAYMENTS

The net Debtors and Prepayments figure of Kshs.185,554,667 includes total debtors of Kshs.4,272,377 owed by ex-Board members, ex-employees and fraudulent cash cheques (KCB) whose recoverability is doubtful.

The Board has not given satisfactory explanation as to how it intends to recover these debts. The provision of Kshs.3,268,246 for bad and doubtful debts made in these Accounts in respect of KCB cheques implies that the recoverability of the Kenya Commercial Bank debt of Kshs.6,268,246, which has remained outstanding for over 5 years, remains highly doubtful. In addition, the net Balance Sheet Debtors figure of Kshs.185,554,667 includes accounts with credit balances totaling Kshs.23,590,779. The Board has not, however, explained what these unusual credit balances represent and in the circumstances, it is not possible to confirm the correctness of the Net Debtors and Prepayments balance of Kshs.185,554,667 shown in the Balance Sheet as at 30 June 1998.

The Committee heard the evidence given by the Chief Executive that during the year under review, a figure of Kshs.185,554,667 appearing in the books included total debtors figure of Kshs.4,272,377 in respect of ex-Board Members, ex-employees and fraudulent cash cheques cleared by the Kenya Commercial Bank.

The Committee was informed that a break down of the debtors is as follows:-

			Kshs.
(i)	Ex-Board Members	-	734,463.00
(ii)	Kenya Commercial Bank	-	3,268,246.00
(iii)	Former Employees (advances)	-	269,668.00
(iv)	Sales Commission payable to distributors	-	12,412,408.27
(v)	Overpayment by customers	-	42,893.10
(vi)	Misallocation amongst customers	-	5,942,566.50
(v)	Advance payments by customers	-	5,192,911.70

The Committee was further informed that the Board has pursued recovery of debts from Ex-Board Members including litigation with the following results:-

(i) **Mr. J. K. Muregi who was Chairman of the Board during the year under review owes the Board Kshs.372,757 and that the Board filed a suit to recover the amount and the case is due for hearing to have the stay orders vacated with a view to attaching his vehicle registration number KAC 550W;**

(ii) **Mr. Joseph Mukiri who owed the Board Kshs.350,303 had offered the proceeds from his land to the Board for lease, and has not yet cleared his debt as the land was attached and sold by his judgment debtors;**

(iii) **Mr. I. K. Muthua has since passed on, leaving a balance of Kshs.11,908.95 unpaid and hence irrecoverable;**

(iv) Mr. S. Omariba who resigned from the Board in 1984 without clearing a debt of Kshs.7,434 has not been traced to-date and the Board is therefore considering writing off the debt; and

(v) former employees were advanced a total of Kshs.269,668, which is still outstanding and that the Board is considering writing off the amount.

The Committee was concerned that the debts have been outstanding for over 12 years and that the management was inept at following up the debtors.

The Committee recommends that the management uses all means at its disposal to have the debts cleared by December 31st, 2007.

4. FIXED ASSETS – EX - LEWA SETTLEMENT SCHEME

The Ex-Lewa Settlement Scheme situated in Meru District, measuring 2.02 hectares was allocated to the Board in January 1997 and title deed number Meru/Ex Lewa 895 issued in the name of the Board. However, the allocation of this parcel of land was reportedly cancelled by the Commissioner of Lands in August 1998. However, and except for a letter by the Board to the Meru District Commissioner dated 28 August 1998, no other correspondence has been seen regarding the cancellation of the Board's ownership of this parcel of land. The Board does not also appear to have been compensated for the land, which according to records, was developed and was being used by the Board to expand cash crops growing through provisions of seedlings.

The Committee heard the evidence given by the Chief Executive that in January 1997, the Board was allocated land measuring 2.02 hectares by the Meru District Lands Board and a title deed number Meru/Ex-Lewa 895 issued.

The Committee was informed that in April 1997, the Lands office, Meru wrote asking the Board to surrender the title as it was realized that the said parcel of land was in a water catchment area. The Board complied.

The Chief Executive informed the Committee that:-

(i) the land in question was used for raising seedlings and that no developments were erected on the land;

(ii) the Board had written way back in 1998 to the District Land Board seeking an alternative site and in view of delayed response, wrote again to seek refund of Kshs.6,100 paid earlier for the plot; and

(iii) currently, the Board utilizes communal land for seed raising activities in the area.

The Committee noted that the Board does not require allocation of land in the area as it is no longer a priority and the communal land serves the purpose adequately.

The Committee recommends that the Board removes the said land from its fixed assets and writes off the amount of Kshs.6,100 paid to Meru District Land Office for the said plot.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF PYRETHRUM BOARD OF KENYA FOR THE YEAR ENDED 30 JUNE 1999.

DEBTORS AND PREPAYMENTS

The net Balance Sheet Debtors and Prepayments figure of Kshs.134,267,271 as at 30 June 1999 includes and amount of Kshs.4,270,357 owed by ex-Board members, ex-employees and fraudulent cash cheques, whose recoverability appears doubtful. The Board has not given satisfactory explanation as to how these debts are to be recovered. In addition, a provision of Kshs.3,268,246 made in these Accounts for bad and doubtful debts relating to fraudulent cheques of the same value implies that the recoverability of the entire amount of the fraudulent cheques, is now considered highly doubtful. The Board has also made a general provision for bad and doubtful debts of Kshs.4,482,000, which, however, appears inadequate, considering that most of the debtors have remained outstanding for a period of over five(5) years. In the circumstances, therefore, it has not been possible to confirm the correctness of the Debtors and Prepayments balance of Kshs.134,267,271 shown on the Board's Balance Sheet as at 30 June 1999.

The Committee heard the evidence given by the Chief Executive that during the year under review, a figure of Kshs.134,267,271 appearing in the books included total debtors figure of Kshs.4,270,357 in respect of ex-Board Members, ex-employees and fraudulent cash cheques cleared by the Kenya Commercial Bank.

The Committee was informed that a break down of the debtors is as follows:-

			Kshs.
(i)	Ex-Board Members	-	734,463.00
(ii)	Kenya Commercial Bank	-	3,268,246.00
(iii)	Former Employees (advances)	-	269,668.00
(iv)	Sales Commission payable to distributors	-	12,412,408.27
(v)	Overpayment by customers	-	42,893.10
(vi)	Misallocation amongst customers	-	5,942,566.50
(v)	Advance payments by customers	-	5,192,911.70

The Committee was further informed that the Board has pursued recovery of debts from Ex-Board Members including litigation with the following results:-

(i) **Mr. J. K. Muregi who was Chairman of the Board during the year under review owes the Board Kshs.372,757 and that the Board filed a suit to recover the amount, though the case is due for hearing to have the stay orders vacated with a view to attaching his vehicle registration number KAC 550W;**

(ii) Mr. Joseph Mukiri who owed the Board Kshs.350,303 had offered the proceeds from his land to the Board for lease, and has not yet cleared his debt as the land was attached and sold by his judgment debtors;

(iii) Mr. I. K. Muthua has since passed on, leaving a balance of Kshs.11,908.95 unpaid and hence irrecoverable;

(iv) Mr. S. Omariba who resigned from the Board in 1984 without clearing a debt of Kshs.7,434 has not been traced to-date and the Board is therefore considering writing off the debt; and

(v) former employees were advanced a total of Kshs.269,668, a figure that has not been settled to-date and that the management is considering writing off the figure in its accounts.

The Committee was concerned that the debts have been outstanding for over 12 years and that the management was inept at following up the debtors.

The Committee recommends that the management uses all means at its disposal to have the debts cleared by December 31st, 2007.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF PYRETHRUM BOARD OF KENYA FOR THE YEAR ENDED 30 JUNE 2000.

1. CAPITAL WORK-IN-PROGRESS

Included in Capital Work-In-Progress, as reflected in Note 2 to the Accounts, is an amount of Kshs.400,000 relating to four prefabricated houses, which the Board purchased from the Forestry Industrial Training Centre (FITC) and paid for in full in May 1992. To date, these houses have not been delivered to the Board and it is not clear why the delivery of the houses has taken so long to effect. It is highly doubtful that these houses, which have remained undelivered for over 8 years now, will ever be supplied to the Board by the FITC.

The Committee heard the evidence given by the Chief Executive that the Board purchased four prefabricated houses in May 1992 from the Forestry Industrial Training Centre (FITC).

The Committee was informed that:-

(i) **an expenditure totaling Kshs.157,460.39 was erroneously included in the figure of Kshs.400,000 captured in the accounts relating to payments for four prefabricated houses and that the figure has since been transferred to the Assets Account, thereby leaving the correct balance of Kshs.242,539.61, which has been certified by the Auditors; and**

(ii) **Kshs.242,539.61 was paid to the FITC for the two prefabricated houses which were not delivered to the Board by the time the Centre ceased its operations in 1992.**

The Committee noted that FITC is a Government Department under the Ministry of Environment and Natural Resources and that the Chief Executive had not adequately raised the matter of compensation with the Accounting Officer.

The Committee therefore directed the Chief Executive to urgently arrange for a meeting with the Permanent Secretary, Ministry of Environment and Natural Resources through the parent Ministry to have the matter resolved by December 31st, 2007.

2. DEBTORS AND PREPAYMENTS

The net Balance Sheet Debtors and Prepayments balance of Kshs.137,178,431 as at 30 June 2000 includes and amount of Kshs.19,851,906 owed by staff, ex-staff and former

board members, which in turn includes Kshs.5,829,234 which was not supported and could, therefore, not be verified. Although available information indicates that legal action has been taken against ex-Board members, the recoverability of the debts still appears doubtful in view that the debts have been outstanding for more than six (6) years. In addition, provision of Kshs.3,268,246 made in these Accounts for bad and doubtful debts relating to fraudulent cheques of the same value shows that the recoverability of the entire amount of fraudulent cheques is now considered highly doubtful. The Board has also made a general provision for bad and doubtful debts of Kshs.4,482,000 which appears inadequate particularly in view that most of the debts have been outstanding for more than five (5) years. Under the circumstances, therefore, it is not possible to confirm the correctness of the Debtors and Prepayments balance of Kshs.137,178,431 shown on the Board's Balance Sheet as at 30 June 2000.

The Committee heard the evidence given by the Chief Executive that during the year under review, a figure of Kshs.185,554,667 appearing in the books included total debtors figure of Kshs.4,272,377 in respect of ex-Board Members, ex-employees and fraudulent cash cheques cleared by the Kenya Commercial Bank.

The Committee was informed that a break down of the debtors is as follows:-

			Kshs.
(i)	Ex-Board Members	-	734,463.00
(ii)	Kenya Commercial Bank	-	3,268,246.00
(iii)	Former Employees (advances)	-	269,668.00
(iv)	Sales Commission payable to distributors	-	12,412,408.27
(v)	Overpayment by customers	-	42,893.10
(vi)	Misallocation amongst customers	-	5,942,566.50
(v)	Advance payments by customers	-	5,192,911.70

The Committee was further informed that the Board has pursued recovery of debts from Ex-Board Members including litigation with the following results:-

(i) **Mr. J. K. Muregi who was Chairman of the Board during the year under review owes the Board Kshs.372,757 and that the Board filed a suit to recover the amount, though the case is due for hearing to have the stay orders vacated with a view to attaching his vehicle registration number KAC 550W;**

(ii) **Mr. Joseph Mukiri who owed the Board Kshs.350,303 had offered the proceeds from his land to the Board for lease, and has not yet cleared his debt as the land was attached and sold by his judgment debtors;**

(iii) **Mr. I. K. Muthua has since passed on, leaving a balance of Kshs.11,908.95 unpaid and hence irrecoverable;**

(iv) Mr. S. Omariba who resigned from the Board in 1984 without clearing a debt of Kshs.7,434 has not been traced to-date and the Board is therefore considering writing off the debt; and

(v) Former employees were advanced a total of Kshs.269,668, a figure that has not been settled to-date and that the management is considering writing off the figure in its accounts.

The Committee was concerned that the debts have been outstanding for over 12 years and that the management was inept at following up the debtors.

The Committee recommends that the management uses all means at its disposal to have the debts cleared by December 31st, 2007.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA BROADCASTING CORPORATION FOR THE YEAR ENDED 30 JUNE 2000.

1. FINANCIAL POSITION

During the year ended 30 June 2000,the Corporation recorded a net deficit of Kshs.784,227,637 compared to a net deficit of Kshs.559,930,629 realized in 1998/99. This deficit brought the accumulated deficit to Kshs.5,950,885,665 as at the same date. As was the case in 1998/1999, the Corporation was unable to service both the principal loan and accrued interest thereon, on the Overseas Economic Co-operation Fund guaranteed loans amounting to Kshs.268,628,735 and Kshs.528,458,149 respectively. Consequently, the Treasury had to meet the obligation, thereby bringing cumulative interest and principal paid by the Treasury on behalf of the Corporation over the years to Kshs.2,282,072,199 as at 30 June 2000 while interest payable to Treasury by the Corporation amounting to Kshs.536,967,192 as at 30 June, 1997 was also not paid. Treasury did not, however, confirm the interest charges on the total cumulative loan amount for the years 1997/98, 1998/99 and 1999/2000 and as reflected in Note 8 to the financial statements, these undetermined charges have not been accrued in the accounts in the year under review. The Corporation was also unable to pay VAT, which had increased from Kshs.94,831,330 in 1998/99 to Kshs.134,802,254 as at 30 June, 2000. The Balance Sheet as at 30 June, 2000 further reflects a negative working capital of Kshs.2,711,801,697. Evidently, therefore, the Corporation was technically insolvent and its continued operation as a going concern is dependent on the support of Government and its other creditors.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation recorded a net deficit of Kshs.784,227,637, bringing the total accumulated deficit to Kshs.5,950,885,665.

The Committee was informed that the Corporation was unable to meet its statutory and loan obligations when they fell due as there were shortfalls in revenue collection.

The Chief Executive informed the Committee that the liquidity problem was compounded by the following reasons:-

(i) **the core mandate of the Corporation where 68% of its airtime is devoted to public service, which is not revenue earning;**

(ii) **advent of new entrants into the broadcasting sector due to liberalization of air waves, which led to a drop in revenue; and**

(iii) **old and dilapidated equipment which weakened the Corporation's position in the competition for services.**

The Committee was further informed that the Cabinet had approved a memorandum which in effect directed that KBC be allocated Kshs.845 Million per annum to finance the public broadcasting service and also relayed the commitment by the Government to take over an OECD loan granted by the Japanese Government and other accumulated debts.

While noting the positive action taken by the government in bailing out the Corporation from indebtedness, the Committee reiterates its earlier recommendation in its 11th Report that the Chief Executive should explore other avenues of raising revenue with a view to improving the Corporation's financial position to enable it meets its financial obligations.

The Committee also recommends that the Government undertakes to fully finance services offered to the public by KBC and that the cost of those services be accommodated in the annual budget.

2. FIXED ASSETS REGISTER AND TITLE DOCUMENTS

Although Section 43 of the Kenya Broadcasting Corporation Act, requires the Corporation to keep proper records of its assets and liabilities, the Corporation, as was the case in previous years, did not maintain a fixed assets register. In addition, out of the 33 parcels of land deemed to belong to the Corporation, only 6 had title deeds and 7 allotment letters. In the circumstances, it was not possible to confirm ownership of the Corporation's assets besides not being able to ascertain the accuracy of the Balance Sheet Fixed Assets Figure of Kshs.5,232,425,754 as at 30 June 2000 .

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation did not maintain proper records of its assets and liabilities.

The Committee was informed that the Corporation inherited block figures from Voice of Kenya (VoK) without any breakdown of individual assets.

The Chief Executive further informed the Committee that all assets have been given individual codes and an assets register opened. He further informed the Committee that the status of its parcels of land is as herebelow:-

District Division Location	Land Ref No/Titles/Plot No	Acreage	Previous Owner	Allocating Authority	Allottee	Current Status
Garissa	Unadjudicated area. No title issued	2 acres	Trust land	County Council	KBC	Unadjudicated land, no title issued
Nyambene Hill Meru	Unadjudicated area. No title issued	1.53 hectares	Government trust land	County Council	KBC	Forest land. No survey plan produced by Forest Department
Ngong Kajiado District	Unsurveyed	54 hectares	Government land	Commissioner of lands	KBC	Plans produced surveyed awaiting title

Limuru, Kiambu District	Unsurveyed	1.48 hectares	Government Land	Commissioner of Lands	KBC	Unsurveyed
Nairobi (BH)	LR No.209/5918 IR No. 17735 Title issued	2.8 acres	Government Land	Commissioner of Lands	KBC	Title deed issued to Chief Secretary
Maralal Samburu District	Samburu/Lodekejek/ 37 Title Deed issued	200 acres	Moses Mayo Lenairoshi	Private Purchase	KBC	Title deed issued
KBC Norfolk Nairobi	LR No209/144477 (Original 209/10370) Letter of allotment issued	0.8861 hectares	Government land	Commissioner of Lands	KBC	Grabbed but the title surrendered to Government. In the process of getting title
KBC HQ Complex Jamuhuri Park	LR 15090 No title issued	100 acres	Government land	Commissioner of Lands	KBC	Alienated by Government – trying to get it back.
Marsabit	LR No.191- No title issued	200 acres	Trust Land	County Council	KBC	Unadjudicated area
Nakuru District Menengai Hill	Forest land	73.6 acres	Government land	Commissioner of Lands	KBC	Forest land
Nyeri District	Forest Land	4.75 hectares	Government land	Commissioner of Lands	KBC	Forest land
Garissa	LR (MAP) RIM/2-6/3 Unadjudicated area	400 hectares	Trust land	County Council	KBC	Areas not adjudicated. No survey plans produced
Kwale (Mazeras)	Unadjudicated	1.6 hectares	Trust land	Commissioner of Lands	KBC	Unadjudicated area
Siaya District Nyamninia	Unsurveyed	43.7 hectares	Government land	Commissioner of Lands	KBC	Unsurveyed
Nandi District Kapsimotwa	Unsurveyed	12 hectares	Government land	Commissioner of Lands	KBC	Unsurveyed
Wajir	Unadjudicated area	200 Acres	Trust land	County Council	KBC	Unadjudicated Area. No survey plans produced.
Taita Taveta Voi	Unadjudicated area	50.9 Hectares	Government land	Commissioner of Lands	KBC	Unsurveyed
Taita Taveta Voi Township	Plan No.75893/111/65A No title issued	0.17 Hectares	Voi Town Council	Voi Town Council	KBC	99 year leasehold w.e.f.1/5/96 title
Taita Taveta Voi Township	Plan No. 75893/111/66A	1.5 Hectares	Voi Town Council	Voi Town Council	KBC	99 year leasehold w.e.f.1/5/96 title
Voi Township	Plan No. 7893/111/64A No title issued	0.3 Hectares	Voi Town Council	Voi Town Council	KBC	99 year leasehold
Kisumu Municipality	Kisumu Mun.Block 10/97. No title issued	1.3719 Hectares	Government land	Commissioner of lands	KBC	Letter of allotment w.e.f.1/6/94. Title not yet issued.
Mombasa Mainland North (Nyali)	LR No 1476/1-CR 13088/1 Provisional title issued	22.85 Acres	Government land	Commissioner of lands	KBC	99 year Leasehold w.e.f. 1/7/62. Title issued
Machakos District (Komarock)	LR No. 8825 No title issued	499.5 Hectares	Government land	Commissioner of lands	KBC	Letter of allotment w.e.f. 1/3/2000 Kshs3 million required for ground rent and rates. Title not yet

						issued.
Nyaribari Chache Kisii District	Nyaribari Chache B/B Borabu/5924. Title deed issued.	0.84 Hectares	-	Compulsory Acquisition	KBC	Title Deed Issued
Trans Nzoia District, North West Kitale Municipality	LR No. 1932/4 IR No. 82840 Title issued	80.97 Hectares	Lands Ltd (ADC)	Purchase from ADC	KBC	Title Deed Issued
Mambrui, Malindi District	Plan No.216/KLF/2/97 No title issued	7.22 hectares	Government Land	Commissioner of Lands	KBC	99 year lease w.e.f. 1/11/1997. Title not yet issued.
Bungoma District (Webuye)	Ndivisi/Mihuu/1973 Title Deed Issued	1.2 hectares	Esther Wambasi Esnas Wambasi Greta Wambasi	Private Purchase	KBC	Title deed issued.
Taita Taveta District (Vuria Hill)	Mgange / Dawida/908	1.167 hectares	County Council of Taita Taveta	County Council	KBC	Forest land
Koibatek (Timboroa)	Not surveyed	1.6 hectares	-	Commissioner of Lands	KBC	Unsurveyed
Mombasa Islands Sec.XXI (Sauti House)	Ref:522/XXI Mombasa Island Title not issued	0.5071 hectares	Government land	Commissioner of Lands	KBC	Part of it grabbed by HFCK – Case Pending in Court – Plot (FR.No126/85) Unsurveyed. The matter is with Physical Planning Department. No title issued.
Ntirimiti Location Meru District (Marania)	Ntirimiti Settlement Scheme/153 Title deed issued	96.5 hectares	Settlement Trust Fund	Settlement Fund Trustees	KBC	Title deed issued.
Kajiado District	LR NO. L96/16 No Title Deed Issued	0.10 Hectares	Government Land	Commissioner of Lands	KBC	99 Year Lease W.E.F. 1/6/2003 Title Deed Issued
Langata, Nairobi	LR. No.11255 IR No.19156 Title Deed Issued	60 Acres	Government Land	Commissioner of Lands	KBC	99 Year Lease 1/7/1962 Title Issued
Langata, Nairobi	LR No.26326 IR No. 88771 Title Deed Issued	7.837 Hectares	Government Land	Commissioner of Lands	KBC	Part of it Grabbed by a Mr. Muthemba. Had Civil Case Against Ms. Elizabeth Mbugua which was settled in favour of the corporation. 99 year lease w.e.f. 1/1/2001. Title issued
Malindi	Malindi Ref No.55 KLF 2.89	90 Hectares	Trust land	Commissioner of Lands	KBC	Unadjudicated.

The Committee observed with concern that several of the Corporation's parcels of land had been allocated to private developers and the matter raised with the Ndungu Commission on Illegal Allocation of Public Land whose report recommended repossession of the parcels by the Corporation.

The Committee recommends that :-

(i) **the Chief Executive moves with speed to acquire title deeds for all its parcels of land by December 31st, 2007; and**

(ii) **the Chief Executive ensures that an assets register is opened where all the Corporation's assets are recorded.**

3. IRREGULAR PAYMENTS

In March, 1996, the Corporation entered into an agreement with a contractor for erection and completion of a gatehouse together with associated drive, a car park and other services at a contract sum of Kshs.5,200,000. However, by date of completion of 01 July 1996, variations amounting to Kshs.2,868,310 in respect of works which were not provided for in the original contract and penalty of Kshs.1,732,420.40 had arisen thus escalating the contract sum by Kshs.4,600,730.40 to Kshs.9,800,730.40 The variations of Kshs.2,868,310 were 55.15% of the original contract sum and exceeded the 15% variation level allowed by regulations of Kshs.780,000 by Kshs.2,088,310. Under the circumstances, it was not possible to confirm that the Corporation got the best price for the job. No explanation has also been given for the breech of regulations.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation entered into an agreement with a contractor at a contract price of Kshs.5.2 million for erection of a gatehouse, a driveway and car park.

The Committee was informed that:-

(i) **after awarding the contract, other works not previously included in the contract became necessary. These works included refurbishing the old entrance gate and adjacent car park to match with the newly constructed gate, all at an additional cost of Kshs.1.9 million; and**

(ii) **additional works done totaling Kshs.968,311 included construction of toilets, landscaping and fixing security grills and the costs were approved by the Board vide Minute No.SP7 of 1996.**

The Committee was further informed that delays in payment attracted a penalty of Kshs.1,732,420 as per the contract agreement, thereby bringing the total cost of the project to Kshs.9,800,730.

The Committee noted with concern that the project was implemented without adequate budgetary provisions, thereby occasioning the Corporation an expenditure of Kshs.1,732,420 in form of penalties. Notwithstanding the fact that the Board had given approval for the additional works, the Committee was further concerned that procurement regulations were flouted and the project

should have been advertised for tender as the value of the works exceeded the variation level allowed of 15%.

The Committee recommends that:-

(i) **the then Chief Executive who approved the additional works be identified, held responsible and surcharged the avoidable loss of Kshs.1,732,420 incurred as penalties for late payment of contractual fees; and**

(ii) **the Chief Executive should ensure that public procurement regulations are adhered to when awarding contracts.**

4. DEBTORS

The Corporation balance sheet reflects an amount of Kshs.379,435,738 in respect of debtors as at 30 June 2000. However, debtors outstanding for a period of more than one year increased from Kshs.184,536,491 in the previous year, to Kshs.293,866,608 as at 30 June 2000 representing 75% of total debtors. Out of these, trade debtors amounted to Kshs.234,475,929 while Government Ministries and other Agencies owed the Corporation an amount of Kshs.59,390,679. It was observed that a debt collector engaged by the Corporation to collect debts was only able to collect Kshs.1,315,384 of the total debts collectable. Under the circumstances, it was not possible to confirm the recoverability of the Corporation's debtors figure of Kshs.379,435,738.00.

The Committee heard the evidence from the Chief Executive that during the year under review, debts outstanding for over a year amounted to Kshs.293,866,608, being 75% of total debtors.

The Committee was informed that:-

(i) **the debts over a year continued to increase due to discrepancies arising from manual handling of revenue; and**

(ii) **efforts by a debt collector commissioned by the Corporation did not succeed due to lack of supporting documents for debts inherited from Voice of Kenya (VoK), while some debtors ceased operations thereby making it impossible to be traced and lack of supporting documents for other debts to enforce recovery.**

The Committee was concerned about the large amount of funds owing to the Corporation and the latitude on the part of the Corporation to follow up the debts for payment.

The Committee recommends that:-

(i) the Chief Executive streamlines operational procedures in the collection of revenue, including computerization to enhance record keeping and traceability of debtors for prompt recovery; and

(ii) all debts outstanding be thoroughly investigated before recommending them for write off.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF THE UNIVERSITY OF NAIROBI FOR THE YEAR ENDED 30 JUNE 2000.

1. FINANCIAL POSITION

During the year ended 30 June 2000, the University incurred a deficit of Kshs.245,521,102 which brought its cumulative deficit to Kshs.1,361,494,825. The Balance Sheet also shows a negative working capital of Kshs.1,005,743,349 which appears to have been contributed mainly by increased net bank overdraft shown as Kshs.1.527,084,111 and other current liabilities of Kshs.414,343,297 as at the same date. The Bank overdraft figure shown in the Accounts as Kshs.1,527,084,111 however, includes cheques totaling Kshs.1,452,707,306 out of which Kshs.1,280,017,630 relate to those issued between 1994 and 2000 in settlement of various statutory deductions. Although the issuance of the cheques led to decrease in creditors and an increase in Bank overdraft as at 30 June 2000, the cheques were not dispatched to the respective payees due to what the University explained as lack of funds. The University was therefore, still faced with serious financial constraints and was not able to meet its obligations as they fell due.

The Committee heard the evidence given by the Chief Executive that during the year under review, the University incurred a cumulative deficit of Kshs.1,361,494,825 and a negative working capital of Kshs.1,005,743,349.

The Committee was informed that the negative working capital was mainly as a result of:-

(i) **cheques amounting to Kshs.1,452,707,306 which were written but not released due to lack of funds and that the cheques were cancelled and accounts adjusted accordingly;**

(ii) **chronic under-funding by the Government, which has been calculated at 38% of the University's annual budget;**

(iii) **lack of differentiated unit costs, rising cost of living and the rapid expansion of the university's utility to cater for demand of university education have impacted negatively on financial performance of the institution.**

The University has taken measures to enhance financial performance of the institution, including:-

(i) **introduction of income-generating activities which in the year 2005/2006 earned the institution Kshs.2.7 billion; and**

(ii) introduction of measures to control and manage costs through adherence to the budget prioritization of projects and minimizing operational expenditure through financial controls, without compromising academic programmes.

The Committee was also informed that the Government has set up two committees to work out the policy implications of differentiated unit costs as well as modalities of its implementation in order to boost funding of the university and thereby reduce its indebtedness.

The Committee recommends that the Ministry of Education finalizes the policy on differentiated unit costs as a matter of priority by December, 2007.

2. FIXED ASSETS

The Fixed Assets balance of Kshs.2,243,908,717 as at 30 June 2000 includes Land and Buildings with a value of Kshs.1,235,238,840. Records relating to land show that the University had not acquired title deeds to some twenty-two (22) parcels of land. The registration and acquisition of title documents of these properties have been pending, in some cases, for several years. In the circumstances, the ownership of these parcels of land as well as the propriety of the balance of Kshs.1,235,238,840 in respect of land and buildings could not be confirmed.

The Committee heard the evidence by the Chief Executive that during the year under review, lands and building valued at Kshs.1,235,238,840 without titles were included in the Fixed Assets figure of Kshs.2,243,908,717.

The Committee was informed that the University does not posses title deeds for its 22 parcels of land where letters of allotment have been issued and major capital developments undertaken on them.

The status of the parcels of land is as follows:-

No.	Plot No.	Location	Progress Made	Capital Value
1	12463	Kasarani	Indent already forwarded to Director of Surveys. Awaiting issuance of Deed Plan by Director of Surveys	28,000,000
2	209/2784	State House Road Central Catering Unit & Swimming Pool	Letter of allotment issued but the parcel requires surveying and among those awaiting awarding land surveying consultancy tender	306,401,000
3	LR No. 25058, 25059 and 25060	Kibwezi Dryland Research Station	Deed plans ready and already forwarded to Commissioner of Lands. Title Documentation in process at	149,003,000

			the office of Commissioner of Lands	
4	209/117/R	Parklands Campus	Commissioner of Lands has approved allocation of the parcel. Issuance of Letter of Allotment awaited.	254,947,000
5	15082/1 (Now LR No.23161)	Lower Kabete	Following the issuance of Deed plans by the Director of Surveys	503,695,000
6	209/7791	Halls 12 and 13	Awaiting awarding survey consultancy tender	478,600,000
7	209/7138	ADD	Awaiting awarding survey consultancy tender	167,965,000
8	209/2785	Playground	Awaiting awarding survey consultancy tender	41,944,000
9	22378	Upper Kabete	Deed plans forwarded to Commissioner of Lands. Title documentation in process	449,244,000 (together with LR No.11763)
10	22379	Upper Kabete	Deed plans forwarded to Commissioner of Lands. Title documentation in process	81,457,000.
11	Unsurveyed plot . PDP 32639/IV/195A	Mamlaka Hostels	Awaiting resurveying and awarding of the Land Survey Consultancy Tender	329,000,000
12	13057	Field Station	Surveying in process to acquire Deed Plan for title issuance.	183,832,000
13	209/13982, 13988 and 13995	Kenyatta National Hospital	A copy of letter of allotment forwarded to Director of Surveys. Survey already done. Awaiting issuance of Deed Plans by Director of Surveys	622,005,000
14	LR No. 209/4847	Stella Awinja	Waiver of Stamp Duty from Ministry of Finance and then registration will take place	51,400,000
15	209/6442/2	Dental School	Deed Plans ready. Title documentation to commence upon surrender of the land title by Kenya Hospital Association.	48,781,000

The Committee was informed that the following 7 parcels of land have also been acquired recently and title documents are being processed. Valuation of the properties will be carried out in the course of the year for their values to be entered in the books of accounts.

1	Unsurveyed plot Nyeri Municipal Plot No. C6/84/8	Extra Mural Centre, Nyeri	Survey done, awaiting amendment of the Registry Index Map

			(RIM)
2	Kakamega Municipality Block 11/307	Extra Mural Centre, Kakamega	Survey has been completed and Registry Index Map (RIM) forwarded to Commissioner of Lands. Lease documents being prepared by the office of the Commissioner of Lands.
3	LR No. 12266	Nyahururu	Survey has already been done and conversion from Registration of Titles Act (Cap 281) to Registered Land Act (Cap 300). Following the issuance of title with Estates Manager Department of settlement.
4	209/7121/4	Kolobot Drive	Letter of allotment issued. Requisite fees paid. Surveying completed and Deed Plan forwarded to Commissioner of Lands. Title preparation being done
5	7218/R	Kikuyu	Land given by PCEA. Request made to Church for the go ahead to procure land survey services.
6	209/8407 Truncation 8:4:4 building	Main campus	Letter of allotment issued and requisite fees paid. Surveying in processes to acquire Deed Plan
7	LR No. 209/5651	Extension of Dental School (former School of Law).	Letter of Allotment issued and requisite fees paid. Survey completed and Deed Plan forwarded to the Commissioner of Lands. Title documentation in process.

The Committee noted with concern that the University's application for waiver of stamp duty to the Treasury to enable it process registration of its land had not

been acted upon. Further, the University had invested heavily on some parcels of land yet title deeds had not been obtained.

The Committee recommends that: -

(i) **the Treasury grants waiver of Stamp Duty to the University to assist in registration of its land(s); and**

(ii) **the Chief Executive in liaison with the parent Ministry expedites the issuance of title deeds to the University in respect to Kibwezi Dryland Research Station, Machanga Field Station, Kasarani and Extension to the University Dental School.**

3. STUDENT'S DEBTORS

Included in the Debtors and Debit balances of Kshs.787,413,449 is Sundry Debtor's balance of Kshs.605,383,485 which, in turn, includes Kshs.332,094,000 in respect of Students debtors as at 30 June 2000. Some of these debts have been outstanding for over 11 years. Although as in 1998/99, the University has explained that it has put in place measures, such as not releasing certificates without fees clearance, restricting registration and issue of examination cards to fees clearance, not allowing students to halls of residence, or to graduate, reduction of outstanding amounts does not appear to have been realized. In the circumstances, it has not been possible to confirm the recoverability of most of the Students Debtors fees balance of Kshs.332,094,000 as at 30 June 2000.

The Committee heard the evidence given by the Chief Executive that during the year under review, student debtors figures amounted to Kshs.332,094,000.

The Committee was informed that:-

(i) **the debts relate mainly to students who were admitted for module II programme and discontinued while others completed the courses but could not clear their fees;**

(ii) **the University, in 2004, advertised names of fees defaulters in the national newspapers where a total of Kshs.59,749,432.50 was paid as a result;**

(iii) **the University is also considering taking legal action against defaulters and has increased storage charges for certificates from Kshs.500 to Kshs.1000 per annum; and**

(iv) **other measures taken include withholding examination results and ensuring only those who have cleared their fees attend classes.**

The Committee recommends that the Chief Executive pursues all means at his disposal, including litigation, to recover all fees outstanding.

4. UNEXPLAINED EXPENDITURE INCREASES

The University's Expenditure figure of Kshs.2,198,764,355 includes Students Welfare Authority (catering services) expenditure of Kshs.143,235,546 which in turn includes the following expenditures, among others, with unusually large increases during the year:-

Item	1998/99 Kshs	1999/2000 Kshs	Increase Kshs	Increase Percentage(%)
Purchase of Food stuffs	39,260,135	68,458,583	29,198,443	74
Electricity, Water & Conservancy	1,994,270	17,347,509	15,353,239	770
Maintenance of Buildings and Stations	19,513,447	25,523,387	6,009,940	31

Although the University explains that the increases resulted from mis-postings and expansion of capacity rather than poor cost control measures and that appropriate adjustments would be effected in the year 2001/2002, the financial statements remain misstated until such adjustments are effected.

The Committee heard the evidence given by the Chief Executive that during the year under review, the University's accounts indicated large increases in expenditure in the purchase of foodstuffs, electricity, water and conservancy and maintenance of buildings.

The Committee was informed that:-

(i) **under utilities, the University had pending invoices totaling Kshs.13,258,577.70 for the years 1991 to 1997 and an unpaid bill of Kshs.2,448,585.20. Further, paid bills amounting to Kshs.1,640,364.10 had not been reflected in the books;**

(ii) **the amount owing in respect of water for the halls of residence amounting to Kshs.20,010,627 was cleared in April 1995 by the**

Ministry of Education through the University's capitation. Kshs.13,258,557.70 was accruing in respect of outstanding water bills and the University is currently settling the bill at Kshs.2 Million per month;

(iii) parallel degree programmes introduced during the year led to the increase in purchase of food stuff by Kshs.13 million. Expenses such as gas and fuel (Kshs.4,265,803.74) and Kitchen and office expenses (Kshs.4,137,002.65) were erroneously posted as food items; and

(iv) halls of residence during the year required additional items such as beddings and additional stores / food at the cafeteria to provide for additional students' needs on Module II programmes.

The Committee was also informed that all the necessary adjustments have been effected in the books of accounts, thereby resolving the audit query.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF THE UNIVERSITY OF NAIROBI FOR THE YEAR ENDED 30 JUNE, 2001

1. FINANCIAL POSITION

The University's financial performance during the year under review reflects a deficit of Kshs.139,639,817 which brought its cumulative deficits of Kshs.1,510,833,948 as at 30 June, 2001. The Balance Sheet also shows negative working capital of Kshs.1,012,152,138 as at the same date. As in previous years, the University was still facing financial problems and as a result, was not able to meet its obligations as they fell due. Consequently, the Accounts have been prepared on a going concern basis, with the assumption that it will get continued financial support from the Government, creditors and its bankers.

The Committee heard the evidence given by the Chief Executive that during the year under review, the University incurred a cumulative deficit of Kshs.1,510,833,949 and a negative working capital of Kshs.1,012,152,138.

The Committee was informed that the negative working capital was mainly as a result of:-

(i) **cheques amounting to Kshs.1,452,707,306 which were written but not released due to lack of funds and that the cheques were cancelled and accounts adjusted accordingly;**

(ii) **chronic under-funding by the Government, which has been calculated at 38% of the University's annual budget; and**

(iii) **lack of differentiated unit costs, rising cost of living and the rapid expansion of the university's utility to cater for demand of university education have impacted negatively on financial performance of the institution.**

The University has taken measures to enhance financial performance of the institute, including:-

(i) **introduction of income-generating activities which in the year 2005/2006 earned the institution Kshs.2.7 billion; and**

(ii) **introduction of measures to control and manage costs through adherence to the budget prioritization of projects and minimizing operational expenditure through financial controls, without compromising academic programmes.**

The Committee was also informed that the Government has set up two committees to work out the policy implication of differentiated cost unit as well as modalities of its implementation in order to boost funding of the university and thereby reduce its indebtedness.

The Committee recommends that the Ministry of Education finalizes the policy on differentiated unit costs as a matter of priority by December, 2007.

2. STUDENTS DEBTORS

Included in the Balance Sheet Debtors and Debit balance of Kshs.942,086,243 is a sum of Kshs.360,983,762 in respect of the Students Debtors as at 30 June, 2001 some of which have been outstanding for many years. Although the University has explained that it has put in place measures, such as not releasing certificates without fees clearance, restricting registration and issue of examination cards to fees clearance, not allowing students to halls of residence, or to graduate, the position does not seem to have improved. Under the circumstances, the recoverability of Students Debtors' fee balance of Kshs360,983,762 could not therefore be confirmed.

The Committee heard the evidence given by the Chief Executive that during the year under review, student debtors figures amounted to Kshs.332,094,000.

The Committee was informed that:-

(i) **the debts relate mainly to students who were admitted for module II programme and discontinued while others completed the courses but could not clear their fees;**

(ii) **the University, in 2004, advertised names of fees defaulters in the national newspapers where a total of Kshs.59,749,432.50 was paid as a result;**

(iii) **the University is also considering taking legal action against defaulters and has increased storage charges for certificates from Kshs.500 to Kshs.1000 per annum; and**

(iv) **other measures taken include withholding examination results and ensuring only those who have cleared their fees attend classes.**

The Committee recommends that the Chief Executive uses all means at his disposal, including litigation, to recover all fees outstanding.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF THE UNIVERSITY OF NAIROBI FOR THE YEAR ENDED 30 JUNE, 2002.

1. FINANCIAL POSITION

The University's financial statement for the year ended 30th June 2002 reflects a deficit of Kshs.202,193,163 which brought its cumulative deficits to Kshs.1,713,027,111 as at the same date. The Balance Sheet also reflects a negative working capital of Kshs.562,415,663 as at 30 June 2002, a position which is attributed mainly to increase in creditors and credit balances amounting to Kshs.2,083,740,585. As in previous years, the University is still facing serious financial problems and as a result it was not able to clear its obligations as they fell due. Consequently, the accounts have been prepared on a going concern basis with the assumption that the University will get continued financial support from the Government, Creditors and its bankers.

The Committee heard the evidence given by the Chief Executive that during the year under review, the University incurred a cumulative deficit of Kshs.1,510,833,949 and a negative working capital of Kshs.1,012,152,138.

The Committee was informed that the negative working capital was mainly as a result of:-

(i) **cheques amounting to Kshs.1,452,707,306 which were written but not released due to lack of funds and that the cheques were cancelled and accounts adjusted accordingly;**

(ii) **chronic under-funding by the Government, which has been calculated at 38% of the University's annual budget; and**

(iii) **lack of differentiated unit costs, rising cost of living and the rapid expansion of the university's utility to cater for demand of university education have impacted negatively on financial performance of the institution.**

The University has taken measures to enhance financial performance of the institute, including:-

(i) **introduction of income-generating activities which in the year 2005/2006 earned the institution Kshs.2.7 billion; and**

(ii) **introduction of measures to control and manage costs through adherence to the budget prioritization of projects and minimizing operational expenditure through financial controls, without compromising academic programmes.**

The Committee was also informed that the Government has set up two committees to work out the policy implications of differentiated unit costs as well as modalities of its implementation in order to boost funding of the university and thereby reduce its indebtedness.

The Committee recommends that the Ministry of Education finalizes the policy on differentiated unit costs as a matter of priority by December, 2007.

2. UNREMITTED STATUTORY DEDUCTIONS

The creditors and credit balances figure of Kshs.2,083,740,585 as at 30 June 2002 includes unremitted statutory deductions totaling Kshs.1,516,638,118.75 made up as follows:-

	Amount (Kshs)
University of Nairobi Pension Scheme	447,627,437.70
Kenya Revenue Authority (P.A.Y.E)	1,051,147,333.70
N.S.S.F.	12,118,857.35
N.H.I.F.	4,744,490.00
Total	**1,516,638,118.75**

Some of these balances have remained unremitted for a long time, some since 1995. Clearly, the University was in breach of law and may have to suffer penalties.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Balance Sheet Credit figure of Kshs.2,083,740,058 included unremitted statutory deductions totaling Kshs.1,516,637,118.75

The Committee was informed that:-

(i) **shortage of funds led to failure by the University to honour pension contributions for its staff to the University of Nairobi Pension Scheme amounting to Kshs.447,627,437.70 and that an agreement has been reached with the Board of Trustees to clear the arrears within 10 years, effective 1st January, 2002. The University is currently remitting Kshs.7.5 Million for the old debts and Kshs.25 Million monthly for new contributions;**

(ii) **the University's indebtedness to Kenya Revenue Authority of Kshs.1,051,147,333.70 is being addressed and the University is remitting 58 Million as monthly deductions and that all arrears have since been cleared; and**

(iii) **the debt owed to National Hospital Insurance Fund of Kshs.4,744,490.00 by the University has been cleared except for the penalty, which is being serviced by University at a monthly rate of Kshs.1.6 Million.**

The Committee recommends that the Chief Executive urgently clears outstanding penalties arising out of unremitted statutory deductions and ensures that in future, these deductions are remitted promptly in accordance with the law.

3. STUDENTS DEBTORS

Included in the Debtors and Debit balance of Kshs.874,680,758 as at 30 June 2002 is a sum of Kshs.377,187,851 in respect of Regular Students Debtors. After taking account for an amount of Kshs.28,236,735.90 which was recovered but not posted to the main debtors account, the outstanding amount stood at Kshs.348,951,115.30 as at 30th June 2003. Further, the debtors figure excludes Kshs.414,154,000 in respect of parallel degree students made up of accumulated fees arrears since inception of the programme in 1998/99 as follows:-

	Amount (Kshs)
Continuing Students	352,611,659
Graduated / completed students	24,844,879
Discontinued / Dropped out students	36,697,471
	414,154,009

Although the University has explained that it has put in place measures such as not releasing certificates without fees clearance, restricting registration and issuance of examination cards to fees clearance, not allowing students in halls of residence or to graduate, the position does not seem to have improved. Under the circumstances, the recoverability of students' debtors cannot be confirmed.

The Committee heard the evidence given by the Chief Executive that during the year under review, student debtors figures amounted to Kshs.332,094,000.

The Committee was informed that:-

(i) **the debts relate mainly to students who were admitted for module II programme and discontinued while others completed the courses but could not clear their fees;**

(ii) **the University, in 2004, advertised names of fees defaulters in the national newspapers where a total of Kshs.59,749,432.50 was paid as a result;**

(iii) the University is also considering taking legal action against defaulters and has increased storage charges for certificates from Kshs.500 to Kshs.1000 per annum; and

(iv) other measures taken include withholding examination results and ensuring only those who have cleared their fees attend classes.

The Committee recommends that the Chief Executive uses all means at his disposal, including litigation, to recover all fees outstanding.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL WATER CONSERVATION AND PIPELINE CORPORATION FOR THE YEAR ENDED 30 JUNE 2000

1. FINANCIAL PERFORMANCE

During the year 1999/2000, the Corporation realized a loss of Kshs.44,562,940 which brought its cumulative deficits to Kshs.2,205,862,629 as at 30 June, 2000. Although the Corporation applied revised water tariffs in the year under review in order to establish a sound revenue base, it has still continued to post deficits every year, which, unless contained, may make it impossible for the Corporation to achieve its main objective of developing and managing water projects in future.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation realized losses amounting to Kshs.44,562,940, notwithstanding the increase in revenue through water tariff increase.

The Committee was informed that the tariff increase did not match the continued increase in the cost of production and operations such as staff emoluments, electricity, water treatment chemicals and transport. The Committee was also informed that some water schemes are not self sustaining and require continuous funding for their survival.

The Chief Executive informed the Committee that measures have been put in place to help reduce losses including the following:-

(i) **metering of consumers who were un-metered;**

(ii) **rehabilitation of water supplies to improve capacity and increase water sales; and**

(iii) **putting in place cost control measures especially in procurement of goods and services in order to cut on costs.**

The Committee was concerned that the revenue of the Corporation has been eroded by the high production and operation costs.

The Committee recommends that the Chief Executive should take measures to rationalize and reduce the cost of operations and production.

2. WATER DEBTORS

The Corporation's water debtors stood at Kshs.1,511,248,862 as at 30 June 2000 after unsupported adjustments of Kshs.160,568,959, described as billing errors in the coast region, had been made and after a 20% general provision for bad and doubtful debts of

Kshs.377,812,215 had also been made as at 30 June 2000. The debtor position represents a net increase of a massive Kshs.324,764,203 on uncollected water debtors for the previous year. As previously reported, the Corporation's system of charging and raising water bills and eventual revenue collection still needs to be evaluated in order to put in place a proper credit control policy. In the meantime, it is still doubtful as to what extent the Corporation's debts reflected on the Balance Sheet as at 30 June, 2000 are realizable as no effective collection machinery appears to have been employed. Further, the adjustment of water debtors amounting to Kshs.160,568,959 attributable to errors at the Coast Region in the current and previous years was not approved by the Corporation's Board. In the absence of such approval, it is not possible to confirm the accuracy and correctness of the water Debtors balance of Kshs.1,511,248,862 as at 30 June, 2000.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation's water debtors stood at Kshs.1,511,248,862.

The Committee was informed that:-

(i) **the Corporation put in place an Adjustment Committee with a view to cleaning its billing system due to errors resulting from erroneous meter readings, wrong data input and erroneous average consumption in cases where meters were not in place;**

(ii) **a total adjustment figure of Kshs.160,568,959 was established by the Committee and verified by the auditors; and**

(iii) **several government institutions have continued to accumulate water debts as follows:-**

Department of Defence	**-**	**Kshs.12,522,330**
Prisons Department	**-**	**Kshs.22,483,142**
Local Authorities (Embu and Nakuru)	**-**	**Kshs.192,756,505**

The Committee noted that the Corporation has undertaken the following measures to improve its debt collection machinery:-

(i) **setting up a commercial department to monitor collection of revenue and carrying out billing error adjustments;**

(ii) **installation of computer billing software in Coast, Rift Valley and Southern region;**

(iii) **carrying out minor rehabilitation of existing water supplies; and**

(iv) **staff training in debt management.**

The Committee further noted that in view of the reforms in the sector, the management and operations of water supply systems have been ceded to regional water services boards. In effect, all assets and liabilities previously held by the Corporation have been transferred to those Boards.

The Committee reiterates its earlier recommendation in the 11th and 12th Reports that the Chief Executive should continue to use all means possible including disconnections until all debts due are settled.

The Committee also recommends that Treasury should allocate adequate funds to government Ministries/Departments to clear money owed to the Corporation.

3. REPAYMENT OF LONG TERM LOANS

During the year 1999/2000, and as in the previous years, the Corporation did not service any portion of the IDA redeemable loan of Kshs.582,902,883 which, according to Article 2.05 of the Subsidiary Loan Agreement, became due on 15, November, 1997. The Corporation did not also pay accrued interest of Kshs.485,823,858, excluding penalty accruing from delayed payments, which has accumulated since 1992/93. The continued non-servicing of these obligations increases the Corporation's future financial burden.

The Committee heard the evidence given by the Chief Executive that the Corporation did not service IDA loan amounting to Kshs.582,902,883.65 and accumulated interest totaling Kshs.485,823,858 since 1992/1993.

The Committee was informed that:-

(i) **the loan was guaranteed by the Government and was utilized on engineering, design and rehabilitation of water supply to Mombasa and Coast Region;**

(ii) **at the time of taking the loan, there was an understanding between the Corporation and the Government that the water charges levied by the Corporation would be increased annually by between 35% - 50% and the increase would cater for servicing of the loan and other costs; and**

(iii) **failure by the Government to approve the tariff increases led to the inability by the Corporation to service the said loan.**

The Committee observed that the Treasury continues servicing the loan and the interest but treats it as on-lent to the Corporation, where the latter has to pay back with interest.

The Committee reiterates its earlier recommendation in its 12th Report page 72 that the Government should address the issue of loan servicing by the Corporation including putting measures in place to address payment of water bills and increasing subsidies to the Corporation.

4. LAND AND BUILDINGS

Included in the Fixed Assets Balance Sheet figure of Kshs.7,702,777,605 as at 30 June 2000, is an amount of Kshs.113,286,282 relating to land shown in the valuation report as having been acquired from the parent Ministry. The Corporation has constructed offices, staff houses, treatment works, tank sites and way-leave on the subject land but does not have title documents to most of the land which is owned by either Government, Local Authorities or individuals. Although the Corporation is reportedly making effort to acquire title deeds for the land properties, ownership of such land cannot be confirmed until such documents of title are issued to the Corporation. Several plots of land and buildings are in the possession of private developers and in the circumstances, therefore, it is not possible to confirm the security of properties belonging to the Corporation for which no title deeds are held.

The Committee heard the evidence given by the Chief Executive that the fixed assets figure of Kshs.7,702,777,605.00 included an amount of Kshs.113,286,282.00 relating to the Corporation's land.

The Chief Executive informed the Committee that:-

(i) **the Corporation had acquired title deeds for 15 of its plots while 20 plots have already been valued and processing of titles is in progress. Another 12 plots have had Part Development Plans signed and allotment letters are being awaited;**

(ii) **some plots have been illegally allocated to private developers and the status is as follows:-**

PLOT DESCRIPTION	LR NO	SIZE HA	ALLEGED OWNER	Directors
Shanzu Staff Quarters	10069/I/MN	0.6705	DIM Agencies Ltd	
	10076/I/MN	0.4194	Arora Properties	Messrs Abdalla Mohamed & Abhajin Abdulla Mohamed
	10075/I/MN	0.2072	Arora Properties	
	10109/I/MN	0.6754	Doshi Iron Mongers Ltd	
	10068/I/MN	0.4367	DIM Agencies LTD	

Nyali Wells	10074/I/MN	0.4180	Alphonsa Investment Limited Commen Ltd	Unknown
Changamwe Reservoir	4167/VI/MN 4169/VI/MN	1.609	Abdul Hakim Abdalla Abdul Hakim Abdalla	
Likoni Area Water Office	N/A – Inhabited by squatters	2.2.	N/A - Squatters	
Changamwe	MN/VI/3615	0.9800	Mangrove Investment Ltd.	Unknown

The Committee made a study tour of the said plots except in Likoni Area Water Office and observed with concern that the Corporation staff at Shanzu Staff Quarters and Changamwe Reservoirs had been threatened with eviction by the private developers. At the Nyali Wells, developers had already commenced fencing off the parcel of land.

The Committee recommends that:-

(i) the Chief Executives of the concerned regional water boards (including Coast Water Services Board) ensures that all corporation land are fenced, including those irregularly allocated; and

(ii) the Chief Executives of all regional water boards places caveat on all the disputed plots to safeguard its interests by December 31st, 2007. Where title deeds have been irregularly issued, revocation proceeding be immediately instituted with a view to having the parcels of land reverted to the rightful regional water services board.

5. KALANZONI WATER SUPPLY PROJECT

This project, which is a branch line from the Nol-Turesh Water Supply Pipeline, was constructed in two phases, with Phase I mainly covering the AIC Nyayo Teachers College and immediate neighbourhood. The tender for the construction of Phase I was awarded in May 1991 at a contract sum of Kshs.24,531,385 and a contract period of sic months, commencing on 04 June 1991. However, due to poor payments to the contractor, the work was suspended between 16 December, 1991 and 10 August 1993, upon which the contractor made claims for variation of prices, interest on delayed payments, idle labour, plant and machinery and other preliminary costs, etc all in the amount of Kshs.32,213,147. the project was eventually completed and handed over on 16 December 1994 at a cost of Kshs.56,744,532. Phase II of the project, was later initiated to supply portable water to Ngiini Girls School, Lumbwa Polytechnic, Mumandu Market and the surrounding area. The tender was also awarded to the same contractor, at a contract sum of Kshs.99,856,270 with a completion period of 12 months, commencing May 1995. On 10 April, 1997, the contractor again suspended

the works reportedly due to delays in payments. At the time of the suspension, total certified expenditure amounted to Kshs.89,610,496/= of which Kshs.18,589,297 had not been paid. By December 1997,Kshs.4,720,308 was outstanding and remained unpaid as of 30 June 2000. records show that the contractor substantially completed and handed over the project to the employer on 24 June 1998, except for the electromechanical works at the booster station for the Chawalia mainline, valued at Kshs.5,090,014 in the Bills of Quantities. This work is still outstanding. Further, the contactor has raised claims for interest on delayed payments in the amount of Kshs.7,280,595 which is also yet to be settled. Arising from the foregoing, it is clear that the planning and execution of this project has been handled quite unsatisfactorily and as a result, the project which was initially contracted to cost a total of Kshs.124,387,655 will eventually cost far much more than originally planed for.

The Committee heard the evidence given by the Chief Executive that during the year under review, the tender sum for construction of Kalanzoni Water Supply project was raised from Kshs.24,531,335 to Kshs.56,744,532.00.

The Committee was informed that:-

(i) Phase I of the project commenced in May 1991 and the contractor suspended works from December 1991 – August 1993 due to poor exchequer releases;

(ii) the increase in the cost of the project arose as a result of claims by the Contractor arising out of variation prices, interest on delayed payment and idle plant and labour;

(iii) Phase II of the project commenced in April 1995 with a contract period running for one year at a cost of Kshs.99,856,269.75. Poor exchequer releases however, slowed down the project. When it was completed in June 1998, Kshs.4,720,308 was still outstanding and as at March 2002, it had attracted an interest of Kshs.7,250,595. The bills have been forwarded to the Pending Bills Committee for consideration; and

(iv) electromechanical works had not been carried out by the contractor and the Corporation undertook its completion at a cost of Kshs.4 Million.

The Committee recommends that the Corporation ensures that budgetary provisions are in place before embarking on any project.

6. WATER DEPOSITS

Included in the Water Deposits Balance Sheet figure of Kshs.33,125,835 as at 30 June 2000 are amounts of Kshs.27,317,162 and Kshs.5,800,000 referred to as Water Deposits and Jimba Credit Corporation Limited fixed deposits, respectively. The Water Deposits balance comprises of bank balances from various banks held by NWCPC of which a total of Kshs.25,390,632 has been supported by Bank Statements, leaving unexplained balance of Kshs.1,926,530. The recoverability of the fixed deposits held in Jimba Credit Corporation Limited, which were placed in that Corporation in 1989, is highly doubtful as the Institution has since collapsed.

The Committee heard evidence given by the Chief Executive that during the year under review, the Corporation held water deposits and fixed deposit accounts of Kshs.27,317,162 and Kshs.5,800,000 respectively, at Jimba Credit Corporations Ltd.

The Committee was informed that:-

(i) an unexplained balance of Kshs.1,926,530 represents refunds made to consumers during the year;

(ii) following the winding up of the Jimba Credit Corporation Ltd, its assets and liabilities were taken over by the Consolidated Bank of Kenya, which has issued shares to all depositors of the Corporation; and

(iii) consequently, the Corporation was allocated 8500 ordinary shares of Kshs.20 each and 310,000 non-cumulative preference shares of Kshs.20 each.

The Committee noted that this information ought to have been give at the time of Audit.

The Committee recommends that the Chief Executive ensures that all information relating to the Corporation's financial statements is availed to the Controller and Auditor General as and when required.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL WATER CONSERVATION AND PIPELINE CORPORATION FOR THE YEAR ENDED 30 JUNE 2001.

1. WATER DEBTORS

The Corporation's Water Debtors as at 30 June 2001 stood at Kshs.1,372,312,426 after a general provision of 20% for bad and doubtful debts of Kshs.343,078,106 had been made. There was therefore an increase of debtors by Kshs.333,834,208 which is indicative of inadequate debt collection management. Although the Corporation has indicated that it has put in place several measures to address the problem, it has not been possible to gauge the success of such measures.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation's water debtors stood at Kshs.1,372,312,426 after a general provision for bad and doubtful debts of Kshs.343,078,106.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation's water debtors stood at Kshs.1,511,248,862.

The Committee was informed that:-

(i) **the Corporation put in place an Adjustment Committee with a view to cleaning its billing system due to errors resulting from erroneous meter readings, wrong data input and erroneous average consumption in cases where meters were not in place;**

(ii) **a total adjustment figure of Kshs.160,568,959 was established by the Committee and verified by the auditors; and**

(iii) **several government institutions have continued to accumulate water debts as follows:-**

Department of Defence	-	Kshs.12,522,330
Prisons Department	-	Kshs.22,483,142
Local Authorities (Embu and Nakuru)	-	Kshs.192,756,505

The Corporation has undertaken the following measures to improve its debt collection machinery:-

(i) **setting up a commercial department to monitor collection of revenue and carrying out billing error adjustments;**

(ii) **installation of computer billing software in Coast, Rift Valley and Southern region;**

(iii) carrying out minor rehabilitation of existing water supplies; and

(iv) staff training in debt management.

The Committee noted that in view of the reforms in the sector, the management and operations of water supply systems have been ceded to regional water services boards. In effect, all assets and liabilities previously held by the Corporation have been transferred to the Boards.

The Committee reiterates its earlier recommendation in the 11th and 12th Reports that the Chief Executive should continue to use all means possible including disconnection until all debts due are collected.

The Committee also recommends that Treasury should allocate adequate funds to Ministries/Departments to clear money owed to the Corporation.

2. FIXED ASSETS

The Fixed Assets figure of Kshs.7,411,023,942 as at 30 June 2001 includes Kshs.113,666,127 in respect of value of parcels of land acquired from the parent Ministry. However, available information shows that the Corporation has obtained only eight title deeds for various plots, while 22 plots are in the process of registration, while other parcels of land have been allocated to private developers.

Further, the fixed assets also include 12 Ex-project vehicles with private registration numbers and whose ownership has not been transferred to the Corporation. Additionally, the fixed assets include undetermined value of various household items transferred to a former Managing Director's house in Nairobi from the Corporation's house in Nakuru. Under the circumstances, it has not been possible to confirm that the Fixed Assets are fairly stated in the financial statements.

The Committee heard the evidence given by the Chief Executive that the fixed assets figure of Kshs.7,411,023,942 captured in the Corporations books included assets totaling to Kshs.113,666,127 in respect of parcels of land acquired from the parent Ministry, some of which at the time had not been registered in the Corporation's name.

The Chief Executive informed the Committee that:-

(i) the Corporation had acquired title deeds for 15 of its plots while 20 plots have already been valued and processing of titles is in progress, while 12 plots have had part development plans signed and allotment letters are being awaited;

(ii) some plots have been illegally allocated to private developers and the status is as follows:-

PLOT DESCRIPTION	LR NO	SIZE HA	ALLEGED OWNER	Directors
Shanzu Staff Quarters	10069/I/MN	0.6705	DIM Agencies Ltd	Messrs Abdalla Mohamed & Abhajin Abdulla Mohamed
	10076/I/MN	0.4194	Arora Properties	
	10075/I/MN	0.2072	Arora Properties	
	10109/I/MN	0.6754	Doshi Iron Mongers Ltd	
	10068/I/MN	0.4367	DIM Agencies LTD	
Nyali Wells	10074/I/MN	0.4180	Alphonsa Investment Limited Commen Ltd	Unknown
Changamwe Reservoir	4167/VI/MN 4169/VI/MN	1.609	Abdul Hakim Abdalla Abdul Hakim Abdalla	
Likoni Area Water Office	N/A – Inhabited by squatters	2.2.	N/A - Squatters	
Changamwe	MN/VI/3615	0.9800	Mangrove Investment Ltd.	Unknown

The Committee made a study tour of the said plots except Likoni Area Water Office and observed with concern that the Corporation staff at Shanzu Staff Quarters and Changamwe Reservoirs had been threatened with eviction by the private developers. At the Nyali Wells, developers had already commenced fencing off the land.

(i) that two plots namely Nyeri Block 1/1286/1287/1288 and Nakuru Block 12/156/183/184 were referred to the Ndung'u Commission on Illegal Allocation of Public Land while the Corporation has registered complaints with the Registrar of Lands for the Corporation's land illegally allocated;

(ii) that all Corporation vehicles have since been registered while the unserviceable ones have been boarded and sold as salvage;

(iii) Kshs.73,850, being the value of house hold items in possession by a former Chief Executive will be recovered from his terminal benefits held by the Corporation.

The Committee recommends that:-

(i) the Chief Executive ensures that all Corporation land is fenced, including those irregularly allocated;

(ii) the Chief Executive places caveat on all the disputed plots to safeguard its interests; and

(iii) that the Kshs.73,850 owed by a former Chief Executive, Dr. Daniel Punyua, be recovered by December 31st 2007.

3. LOANS REPAYMENT

During the year ended 30 June 2001, the Corporation as in the previous year, did not service any portion of the IDA redeemable loan of Kshs.582,902,883 which, according to Article 2.05 of the Subsidiary Loan Agreement, became due on 5 November 1997, together with the accrued interest of Kshs.580,269,318 shown under Note 10 to the financial statements which has accumulated since 1992/93 but excluding penalty accruing from delayed payments. Clearly therefore, the Corporation was in breach of its financial covenants thus exposing itself to adverse future financial burden. Although information available indicates that the Corporation, having failed to raise funds from water tariffs has requested Government to convert the loan into equity, the Government decision on the matter has not been seen.

The Committee heard the evidence given by the Chief Executive that the Corporation did not service IDA loan amounting to Kshs.582,902,883.65 and accumulated interest totaling Kshs.485,823,858. since 1992/1993.

The Committee was informed that:-

(i) the loan was guaranteed by the Government and was utilized on engineering design and rehabilitation of water supply to Mombasa and Coast Region;

(ii) there was an understanding between the Corporation and the Government that the water charges levied by the Corporation would be increased annually by between 35% - 50% and the increase would cater for servicing of the loan and other costs; and

(iii) failure by the Government to approve the increase led to the inability by the Corporation to service the said loan.

The Committee observed with concern that the Treasury continues servicing the loan and the interest but treats it as money on-lent to the Corporation, where the latter has to pay back with interest.

The Committee reiterates its earlier recommendation in its 12th Report page 72 that that the Government should address the issue of loan servicing by the Corporation including putting measures in place to address payment of water bills and increasing subsidies to the Corporation.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL WATER CONSERVATION AND PIPELINE CORPORATION FOR THE YEAR ENDED 30 JUNE 2002.

1.0 CAPITAL FUND ACCOUNT

Included in the Corporation's Capital Fund Account of Kshs.18,459,830,269 is a long term loan from International Development Association (IDA) amounting to Kshs.567,240,000 together with accrued interest thereon of Kshs.580,269,318.00 which had been utilized on the engineering design and rehabilitation of water supply to Mombasa and the Coastal region under the Second Mombasa Water Project. The loan had been obtained with the understanding that after the completion of the project, sufficient revenue as envisaged and although the loan was due for repayment in November 1997, no repayment has so far been made. Instead, the Corporation has requested the Government to convert the loan into equity and has without consent or agreement from the Government, treated the loan in the financial statements under review as equity and transferred the same to Capital Reserve. In the absence of Government approval for the loan to be converted into equity, the correctness of the treatment of the outstanding loan and interest thereof is doubtful.

The Committee heard the evidence given by the Chief Executive that the Corporation did not service IDA loan amounting to Kshs.582,902,883.65 and accumulated interest totaling Kshs.485,823,858. since 1992/1993.

The Committee was informed that:-

(i) the loan was guaranteed by the Government and was utilized on engineering design and rehabilitation of water supply to Mombasa and Coast Region;

(ii) there was an understanding between the Corporation and the Government that the water charges levied by the Corporation would be increased annually by between 35% - 50% and the increase would cater for servicing of the loan and other costs; and

(iii) failure by the Government to approve the increase led to the inability by the Corporation to service the said loan.

The Committee observed with concern that the Treasury continues servicing the loan and the interest but treats it as money on-lent to the Corporation, where the latter has to pay back with interest.

The Committee reiterates its earlier recommendation in its 12th Report page 72 that the Government should address the issue of loan servicing by the

Corporation including putting measures in place to address payment of water bills and increasing subsidies to the Corporation.

2.0 FIXED ASSETS

The Fixed Assets figure of Kshs.7,176,820,152 as at 30 June 2002 includes the Corporation's Land, Building and Stations valued at Kshs.365,069,031. However, the Corporation stands to lose various parcels of Land and Buildings of undetermined value in Mombasa and others valued at Kshs.7,880,000 in Nakuru to private developers. Although the Corporation has received surrender documents for one block in Nakuru and has registered complaints regarding the parcel of land grabbed in the Coast Region, the outcome of the action taken is still awaited.

The Committee heard the evidence given by the Chief Executive that the fixed assets figure of Kshs.7,702,777,605.00 included an amount of Kshs.113,286,282.00 relating to the Corporation's land.

The Chief Executive informed the Committee that:-

(i) the Corporation had acquired title deeds for 15 of its plots while 20 plots have already been valued and processing of titles is in progress, while 12 plots have had part development plans signed and allotment letters are being awaited;

(ii) some plots have been illegally allocated to private developers and the status is as follows:-

PLOT DESCRIPTION	LR NO	SIZE HA	ALLEGED OWNER	Directors
Shanzu Staff Quarters	10069/I/MN	0.6705	DIM Agencies Ltd	
	10076/I/MN	0.4194	Arora Properties	Messrs Abdalla Mohamed & Abhajin Abdulla Mohamed
	10075/I/MN	0.2072	Arora Properties	
	10109/I/MN	0.6754	Doshi Iron Mongers Ltd	
	10068/I/MN	0.4367	DIM Agencies LTD	
Nyali Wells	10074/I/MN	0.4180	Alphonsa Investment Limited Commen Ltd	Unknown
Changamwe Reservoir	4167/VI/MN 4169/VI/MN	1.609	Abdul Hakim Abdalla Abdul Hakim Abdalla	
Likoni Area	N/A –	2.2.	N/A - Squatters	

Water Office	Inhabited by squatters			
Changamwe	MN/VI/3615	0.9800	Mangrove Investment Ltd.	Unknown

The Committee made a study tour of the said plots except in Likoni Area Water Office and observed with concern that the Corporation staff at Shanzu Staff Quarters and Changamwe Reservoirs had been threatened with eviction by the private developers. At the Nyali Wells, developers had already commenced fencing off the land.

The Committee recommends that:-

(i) the Chief Executive ensures that all Corporation land is fenced, including those irregularly allocated; and

(ii) the Chief Executive places caveat on all the disputed plots to safeguard its interests.

3.0 STATUTORY DEDUCTIONS

The Corporation has, over the years, not remitted employees statutory deductions due to various organizations amounting to Kshs86,224,215 as at June 2002 and which are reflected in the Balance Sheet as accrued expenses. The deductions include PAYE, NHIF, NSSF, Pension Scheme and Ukulima Sacco. Clearly, therefore, the Corporation was in breach of its statutory obligations and is likely to incur undetermined accrued interests and penalties on the unremitted statutory deductions. No explanations have been provided for the Corporation's failure to remit such deductions on a timely basis.

The Committee heard the evidence from the Chief Executive that during the year under review, the Corporation was unable to meet its statutory obligations and had outstanding balances of Kshs.86,224,215 owed to National Hospital Insurance Fund, National Social Security Fund, PAYE and the Pension Scheme.

The Committee was informed that revenue from water debtors was inadequate to cover the payments.

The Committee was also informed that the Corporation has since put in place measures towards enhancing revenue collection which have ensured payment of outstanding deductions to NSSF, NHIF and PAYE as well as timely monthly disbursements.

The Committee noted that the Corporation is yet to clear the Pension Scheme outstanding balance of Kshs.45 million and that it would have been possible to clear all debts had government water debtors cleared their outstanding debts.

The Committee recommends that the Chief Executive ensures that the Corporation remits all statutory deductions promptly and in accordance with the law.

The Committee also reiterates its recommendation in the 11th Report that the Chief Executive should use all means possible, including disconnection until all debts due are collected.

4.0 WATER DEBTORS

The financial statements as at 30th June 2002 reflects Kshs.1,377,711,000 as water debtors compared to Kshs.1,372,312,426 as at 30th June 2001, an increase of Kshs.5,398,574. The Corporation has, however, confirmed that a substantial amount of the debt was erroneously billed to consumers who were not supplied with water and that a committee has been appointed to reconcile the accounts. The outcome of the reconciliation has not been seen to be able to assess the effectiveness of debt collection management.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation's water debtors stood at Kshs.1,511,248,862.

The Committee was informed that:-

(i) the Corporation put in place an Adjustment Committee with a view to cleaning its billing system due to errors resulting from erroneous meter readings, wrong data input and erroneous average consumption in cases where meters were not in place;

(ii) a total adjustment figure of Kshs.160,568,959 was established by the Committee and verified by the auditors;

(iii) several government institutions have continued to accumulate water debts as follows:-

Department of Defence	-	Kshs.12,522,330
Prisons Department	-	Kshs.22,483,142
Local Authorities (Embu and Nakuru)	-	Kshs.192,756,505

The Committee noted that the Corporation has undertaken the following measures to improve its debt collection machinery:-

(i) setting up a commercial department to monitor collection of revenue and carrying out billing error adjustments;

(ii) installation of computer billing software in Coast, Rift Valley and Southern region;

(iii) carrying out minor rehabilitation of existing water supplies; and

(iv) staff training in debt management.

The Committee also noted that in view of the reforms in the sector, the management and operations of water supply systems have been ceded to water services boards. In effect, all assets and liabilities previously held by the Corporation have been transferred to the Boards.

The Committee reiterates its earlier recommendation in the 11th and 12th Reports that the Chief Executive should continue to use all means possible including disconnection until all debts due are collected.

The Committee also recommends that Treasury should allocate funds to Ministries / Departments to clear money owed to the Corporation.

5.0 CASH IN HAND

Included in the Balance Sheet figure of Cash in Hand of Kshs.2,252,955 is an amount of Kshs.153,500 which was reflected as Cash in hand even though no physical cash was available. Although it has been indicated that an investigation team has been set up to look into the mater, the outcome of such investigation has not been seen.

The Committee heard the evidence given by the Chief Executive that during the year under review, an amount of Kshs.153,500 was erroneously reflected as cash in hand.

The Committee was informed that the error has since been rectified and verified by the auditors, thereby resolving the audit query.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE TEA BOARD OF KENYA FOR THE YEAR ENDED 30TH JUNE 1998

1. IRREGULAR PAYMENT OF ALLOWANCES

During the year 1997/98, Government approved transport allowances for Board's employees payable on a monthly basis ranging between Kshs.1,000 and Kshs.6,000. The Board, however, paid these allowances at rates ranging Kshs.4,000 and Kshs.15,000 per month without further approval, resulting thereby in unauthorized expenditure of Kshs.2,052,000. The Government also approved responsibility allowances payable to senior staff at rates ranging between Kshs.750 and Kshs.6,000 per month but the Board revised these rates without further approval from Government to rates which ranged between Kshs.3,000 and Kshs.15,000 per month, which again resulted in unauthorized expenditure of Kshs.712,500. In addition, the Chief Executive of the Board was paid entertainment allowance of Kshs.15,000 per month instead of the approved amount of Kshs.6,000 per month, thus resulting into an overpayment of Kshs.171,000. Other officers were also paid entertainment allowances at the rate of Kshs.5,000 per month while they apparently did not fall within approved grades entitled to payment for this allowance. This irregular payment which resulted in a further overpayment of Kshs.3,030,500 was made without proper approval and therefore constituted irregular expenditure.

The Committee heard the evidence from the Chief Executive that during the year under review, the Board revised allowances to its officers to the tune of Kshs.3,030,500.

The Committee was informed that the Board, in its Twentieth Sitting on 5th December 1996, authorized the management to pay its staff higher rates of transport, responsibility and entertainment allowances without the approval from the Office of the President, thereby incurring an irregular expenditure of Kshs.3,030,500.

The Committee was further informed that the Chief Executive, on 6th January, 1997 wrote to the Permanent Secretary, Ministry of Agriculture requesting the Ministry to forward the Board Minutes, which authorized the payment as well as the revised proposals, to the Office of the President for approval and that, as at the time of printing this Report, the proposals have not been forwarded and the management therefore is in breach of the State Corporations Act, Cap 446.

The Committee was concerned about the laxity of the Ministry in forwarding the request and recommends that the Ministry seeks post facto approval from the State Corporations Advisory Committee for the irregular payment. This should be done by December 31, 2007.

2. BOARD EXPENSES

During the year under review, three ex-Board members were paid sitting allowances totaling Kshs.73,218 while their terms of appointment had expired. The Board's explanation that the ex-Board members had been invited to be honoured for their previous service to the Board, is not considered satisfactory as such attendance would not qualify the ex-Board members for payment of a sitting allowance. Further, the Board paid sitting allowances totaling Kshs.74,240 to public officers in receipt of salaries, contrary to provisions of Section 10(1) of the State Corporation Act, while an amount of Kshs.5,400 was paid as sitting allowance to a Board member who did not attend the subject meeting.

The Chief Executive informed the Committee that:-

(i) **the Board paid sitting allowance to Board Members as they were in attendance to hand over to a new Board;**

(ii) **an amount of Kshs.5,400 was paid to a Board Member for a meeting attended on 11th December, 1997, but the date was erroneously captured in the voucher as 10th December; and**

(iii) **the Board paid Board Members uniform sitting allowances regardless of their background as provided for in the Tea Act, Cap 343, Part vii Section 19(c).**

The Committee noted that:-

(i) **the payment of ex-board members a sitting allowance was irregular as their term had expired and recovery ought to be made from them;**

(ii) **even though the Board enabling Act provides for uniform allowances of all Board Members irrespective of their backgrounds, the State Corporations Act at the time required only those officers who were not public servants to be paid such allowances. Notwithstanding the fact that the Act has since been amended in 2002, the Committee noted that the payments were indeed irregular and ought to be recovered from the officers concerned;**

(iii) **the propriety figure of Kshs.5,400 ought to have been resolved with the auditors and relevant documents regarding them be availed at the time of audit.**

The Committee recommends that:-

(i) the then Chief Executive Officer Mr. G. M. Kimani should be held responsible for the loss of Kshs.73,218 which was paid to ex-members of the Board an should be surcharged for the same;

(ii) the Chief Executive in liaison with the Inspector General (Corporations) institutes surcharge of Kshs. 74,240 irregularly paid to public officers in receipt of salary; and

(iii) all audit information be availed to auditors as and when required.

3. UNVOUCHED EXPENDITURE

During the year 1997/98, the Board spent a total of Kshs.387,704 reportedly on lunches taken by Board members and staff of the Board. Available cash receipts however, indicated that the cash sale receipts were apparently written by an employee of the Board and were not issued by the hotel where the lunches were supposedly taken. The payment vouchers were also apparently written by the same employee. Apart from the fact that adequate information was not produced to confirm that the above lunches were taken as claimed, it is also not understood how an employee of the Board issued receipts to support expenditure supposedly incurred outside the premises of the Board. Further, no information was available to indicate the number of Board meetings held during the year under review at which the Chairman, Board members and staff were provided with the lunches at a total cost of Kshs.387,704. Arising from the foregoing, the propriety of the expenditure of Kshs.387,704 cannot be confirmed.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Board incurred an expenditure of Kshs.387,704 on lunches by members of the Board and staff.

The Committee was informed that the amount was spent on luncheons whenever the Board held meetings and that documentation for the expenditure could not be verified by the auditors.

The Committee noted that though the meetings cited by the Chief Executive were thirty three, only ten sittings were supported by Minutes, an indication that the 23 questionable receipts were issued for non-existent lunches, or that the facility was misused by the then Chairman and Chief Executive, as a source of easy money. The lack of proper accounting by the staff would be an indication of the laxity in manner in which Board finances were being handled.

The Committee was concerned by the lack of financial management and control on the part of the Board and management and the casualness with which the matter was handled.

The Committee therefore recommends that:-

(i) the then Board Chairman, Mr. J. O. Moronge, the then Chief Executive Mr. George Kimani and the then accountant and Mr. Hezekiah Njenga be held responsible for the expenditure; and

(ii) the Inspector General (Corporations) institutes measures to surcharge the officers mentioned in (i) above, the amount irregularly spent on the 23 luncheons.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF TEA BOARD OF KENYA FOR THE YEAR ENDED 30 JUNE 1999

1. IRREGULAR PAYMENT OF ALLOWANCES

During the year 1998/99 the Board authorized payment of commuter allowance at rates ranging between Kshs.4,000 and Kshs.15,000 per month when the rates approved by Government ranged between Kshs.1,000 and Kshs.6,000 per month. Application of rates other than those approved by Government resulted in unauthorized expenditure of Kshs.1,345,500 as at 30 June, 1999. Similarly, Government approved responsibility allowances payable to senior managers at rates ranging between Kshs.750 and Kshs.6,000 per month but the Board revised the rates without approval from Government to those ranging between Kshs.5,000 and Kshs.17,000 per month, which similarly resulted in further unauthorized expenditure of Kshs.423,000. In addition, the Chief Executive was paid entertainment allowance of Kshs.15,000 per month instead of the approved amount of Kshs.6,000 per month, again resulting, in an overpayment of Kshs.108,000. Other officers were paid entertainment allowances at the rate of Kshs.5,000 per month while they did not apparently qualify for this allowance. This again resulted in an overpayment of Kshs.60,000. Arising from the foregoing, and in the absence of any satisfactory justification for variation of government authority on these allowances, the propriety of the total unapproved payment of Kshs.1,936,500 cannot be confirmed.

The Committee heard the evidence from the Chief Executive that during the year under review, the Board revised allowances to its officers to the tune of Kshs.3,030,500.

The Committee was informed that the Board, in its Twentieth Sitting on 5th December 1996, authorized the management to pay its staff higher rates of transport, responsibility and entertainment allowances without the approval from the Office of the President, thereby incurring an irregular expenditure of Kshs.3,030,500.

The Committee was further informed that the Chief Executive, on 6th January, 1997 wrote to the Permanent Secretary, Ministry of Agriculture requesting the Ministry to forward the Board Minutes, which authorized the payment as well as the revised proposals, to the Office of the President for approval and that, to date, the proposals have not been forwarded and the management therefore is in breach of the State Corporations Act, Cap 446.

The Committee was concerned about the laxity of the Ministry in forwarding the request and recommends that the Ministry seeks post facto approval from the State Corporations Advisory Committee for the irregular payment. This should be done by December 31st, 2007.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF TEA BOARD OF KENYA FOR THE YEAR ENDED 30 JUNE 2000

CLEAN ACCOUNTS.

The Committee noted that the accounts of the Board for the year ended June 30, 2000 received an unqualified opinion of the Controller and Auditor General.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF TEA BOARD OF KENYA FOR THE YEAR ENDED 30 JUNE 2001

PURCHASE OF PROPERTY

During the year 2000/2001, the Board purchased a building block on a plot of land, measuring 0.15823 acres on Mombasa Block XXI/212, Ngonyo Road for Kshs.14,000,000. The property had been valued at Kshs.13,000,000 on 13 September 2000. In addition, the Board spent a further sum of Kshs.929,663 to convert the building into offices and a further sum of Kshs.761,800 on legal fees. It is not clear, however, how both the property was identified. Although the Board has indicated that the property was identified by its then landlord and that the valuer was a previous client of the Board, this explanation has not, however, been supported.

Arising from the foregoing, it has not been possible, therefore, to confirm that the Board obtained value for money in the purchase transactions, or even confirm that the payment of Kshs. 1 million over and above the property's valuation was justified.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Board purchased a property; Block XXI/212, Ngonyo Road in Mombasa for Kshs.14 Million through an agent, Ms. Metrocosmo Valuers.

The Committee was informed that:-

(i) a Board Officer in charge of Mombasa Office was instructed by the Board to search for a suitable house within Mombasa Island and a Plot No.212/21 on Ngonyo Road was found suitable due to its prime location and proximity to the customs long room, KBC and the KTN studios as well as the Tea Trade Centre;

(ii) M/s Metrocosmo valuers were commissioned to carry out a valuation and arrived at a value of Kshs. 13 Million on 13th September, 2000;

(iii) renovations were required to convert the building for office use and the Board therefore incurred Kshs.929,663 for that purpose; and

(iv) Kshs.761,800 was also spent on stamp duty, search fees, registration and legal fees.

The Committee noted that the transaction was irregular as Government procurement procedures were not adhered to . The mode of identification of the valuer and the building as well as the willingness of the Board to incur further

expenditure on the Building notwithstanding a valuation report pegging the cost at Kshs.13 Million indicates impropriety with which the entire transaction was carried out.

The Board ought to have tendered for valuation services in the open market as per the regulation.

The Committee recommends that the Chief Executive should ensure that the procurement guidelines are adhered to in all transactions for services to the Board.

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF MASENO UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 1996

1. FINANCIAL POSITION

The College's financial results improved from a deficit of Kshs.17,038,080 in 1994/95 to a surplus of Kshs.23,660,724 for 1995/96 thereby bringing the adjusted accumulated deficit to Kshs.13,567,238 as at 30 June 1996. (1994/95 deficit Kshs.36,983,247). The apparent improvement is, however, as a result of enhanced capitation from Kshs.159,329,700 in 1994/95 to Kshs.240,266,738 in 1995/96. Inspite of this enhanced capitation, the College's financial position remained unstable with negative net current assets of Kshs.79,785,665 as at 30 June 1996, (1994/95 negative Kshs.78,159,575). Further, the College was unable to remit arrears of statutory deductions amounting to Kshs.27,900,051 and staff pension funds in the sum of Kshs.14,189,346. The College has attribute its financial instability to inadequate funding for capital projects by the Government.

The Committee heard the evidence given by the Chief Executive that during the year under review, the University recorded negative net current Asset of Kshs.79,785,665 and was therefore unable to meet its statutory payments amounting to Kshs.27,900,051 and Staff Pension Fund of Kshs.14,189,346.

The Committee was informed that the negative financial position of the University was mainly due to the failure of the parent Ministry to release Kshs.68,683,634.34 owed to development creditors.

The Committee was further informed that despite the shortage, the University reduced its Pension Fund arrears by Kshs.6,095,769.30.

The Committee however, noted that the financial position of the University has since changed and it continues realizing surplus, while all outstanding statutory deductions have been cleared.

The matter was resolved.

2. BUILDING WORK IN PROGRESS

The Balance Sheet Building Work in Progress figure of Kshs.210,054,086 includes five (5) stalled projects. Documents made available for audit in respect of some of the projects revealed significant variations in contract sums and completion periods as stated below:-

2.1 Construction of Hostel, Kitchen and Dining Hall

On 15 June 1992, a contract for construction of a hostel, kitchen and dining hall was awarded to a construction firm at a sum of Kshs.66,639,289 and the construction works to be completed within a period of 104 weeks. However, the contract sum and duration for completion were later altered to Kshs.136,000,000 and 261 weeks duration respectively due to what was called price variations and interest charges on delayed payments. It was also noted that due to lack of funds, the project stalled at 20% completion when the contractor had been paid Kshs.33,672,380. No satisfactory explanation has been given as to why the completion period was varied from 104 weeks to 261 weeks when the volume of work remained as originally contracted. It is also not clear when or whether the project will be revived.

2.2 Construction of Lecture Halls, Seminar Rooms and Office Accommodation

The contract was given to a construction firm on 15 September 1992 at a contract sum of Kshs.58,041,504 and the works to be completed within 26 weeks. The contract was later revised to Kshs.176,000,000 with a completion period of 263 weeks. Although it was explained that the revision in contract sum was a result of price escalation and interest on delayed payment, no satisfactory explanation was given for the revision of completion period from the initial 26 weeks to 263 weeks. Further, the project also stalled at 15% completion due to lack of funds when the contractor had been paid Kshs.25,855,069. It is not clear when the University will revive this project which has already taken 4 years since commencement.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Balance Sheet reflected a Buildings Work in Progress figure of Kshs.210,054,086 which included five (5) stalled projects.

The Committee was informed that:-

(i) **a contract for the construction of a hostel, kitchen and dining hall which was awarded in June 1992 at a sum of Kshs.66,639,289, stalled at 20% completion stage, when the contractor had already been paid Kshs.33,672,380;**

(ii) **there was need for the project cost and duration to be revised to Kshs.136,000,000 and 261 weeks, respectively due to non-release of funds by the Government and the consequent interest charges on delayed payments;**

(iii) **a contract awarded for construction of lecture halls, seminar room and office in September 1992 at a sum of Kshs.58,041,504 was later revised upwards to Kshs.176,000,000 and the duration extended to 263 weeks to**

comply with the terms of the agreement, which provided that payment be made within sixty (60) days of presentation of the payment certificate; and

(iv) a task force was set up by Treasury and a consultant hired to confirm the propriety of the accounts after which all deserving pending bills were settled by the Government.

The Committee was concerned that the two projects were embarked upon without any financial plans or projections and without due regard to the interests of the University. Further, the money paid was not commensurate to works done, while payment certificates were issued and approved without any sufficient supervision on the ground to confirm the actual works carried out. Indeed demands from contractors for additional payment and interest accrued, even after being awarded for works not done and abandoning site bear testimony to the carelessness with which the projects were executed and supervised.

The Committee recommends that:-

(i) the University in future analyses its financial position before embarking on ambitious projects without any financial backing; and

(ii) disciplinary measures be taken against the Resident Engineer, who approved the payment certificates for the projects for the shoddy manner in which the works were supervised.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF MASENO UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 1997

1. FINANCIAL POSITION

During the year 1996/97 the College's financial results deteriorated from a surplus of Kshs.23,660,724.30 in 1995/96 to a deficit of Kshs.29,342,111.75 thereby bringing the cumulative deficit to Kshs.42,143,355.10 as at 30 June 1997. The Balance Sheet also reflects negative Working Capital of Kshs.61,638,398.65 as at 30 June 1997 while the College was also unable to meet its financial obligations as they fell due. In particular, the College was unable to remit statutory deductions amounting to Kshs.25,741,075 and Maseno University Pension Scheme dues of Kshs.11,765,929. Evidently, therefore, the University was facing a serious financial problem as it was technically insolvent.

The Committee heard the evidence given by the Chief Executive that during the year under review, the financial results of the college deteriorated bringing the cumulative deficit to Kshs.42,143,355.10, and a negative working capital of 61,639,398.65.

The Committee was informed that the deficit arose as a result of the drop in income from Kshs.268,176,276.30 in the previous year to Kshs.259,889,034 and an increase of Kshs.8,750,718.60 in insurance.

Further depreciation expenses during the year stood at Kshs.7,882,628.55.

The Committee was further informed that the University continues realizing surplus and that all outstanding financial obligations have been cleared.

2. WORKING IN PROGRESS

In the Report of the year 1995/96 reference was made to Balance Sheet Building Work-in-Progress figure of Kshs.191,963,741 which included five stalled projects some of which had significant variations in contract sums and completion periods. Review of the Projects' status during the year 1996/97 showed unchanged position in that the projects remained at standstill as at 30 June 1997 as indicated here below:-

2.1 Construction of Hostel, Kitchen and Dining Hall

The College on 15 June 1992 awarded a contract for construction of hostels, kitchen and dining hall to a construction firm at a cost of Kshs.66,639,289. The Construction work was to be completed within a period of 104 weeks. However, the contract sum and duration for completion were later varied to Kshs.136,000,000 and 261 weeks respectively due to what was called projected escalations in the prices of building materials and labour, and interest charges on delayed payments. It was also noted that

due to lack of funds, the project stalled at 20% completion when the contractor had been paid Kshs.33,672,380 i.e. more than 50% of the contract price. No satisfactory explanation has been given as to why the completion period was varied from 104 weeks to 261 weeks when the volume of work remained as originally contracted. It was also not clear when or whether the project will be revived.

2.2 Construction of Lecture Halls, Seminar Rooms and Office Accommodation

The contract for the construction of Lecture Halls, Seminar Rooms and Office Accommodation was awarded to a construction firm on 15 September 1992 at a contract sum of Kshs.58,041,504 with a completion period of 26 weeks. The contract was later revised to Kshs.176,000,000 with a completion period of 263 weeks. Although it was explained that the revision in contract sum was a result of projected prices escalations and interest on delayed payments, it is clearly not convincing that revised contract sum of more than 200% projection could be justified through price escalations. In any case, approval of contract variations are normally allowed within 25% of the value of the original contract. No satisfactory explanation was also given for the revision on completion period from the initial 26 weeks to 263 weeks particularly in view that the volume of work to be executed remained the same as previously contracted. Further, the Project also stalled at 15% level of completion due to lack of funds, by which time the contractor had been paid Kshs.25,855,069. As previously stated, it is not clear when the University will revive this project, which has now taken over 7 years since commencement.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Balance Sheet reflected a Buildings Work in Progress figure of Kshs.210,054,086 which included five (5) stalled projects.

The Committee was informed that:-

(i) **a contract for the construction of a hostel, kitchen and dining hall which was awarded in June 1992 at a sum of Kshs.66,639,289, stalled at 20% completion stage, when the contractor had already been paid Kshs.33,672,380;**

(ii) **there was need for the project cost and duration to be revised to Kshs.136,000,000 and 261 weeks, respectively due to non-release of funds by the Government and the consequent interest charges on delayed payments;**

(iii) **a contract awarded for construction of lecture halls, seminar room and office in September 1992 at a sum of Kshs.58,041,504 was later revised upwards to Kshs.176,000,000 and the duration extended to 263 weeks to comply with the terms of the agreement, which provided that payment**

be made within sixty (60) days of presentation of the payment certificate;

(iv) a task force was set up by Treasury and a consultant hired to confirm the propriety of the accounts after which all deserving pending bills were settled by the Government.

The Committee was concerned that the two projects were embarked upon without any financial plans or projections and without due regard to the interests of the University and money paid for was not commensurate to works done, while payment certificates were issued and approved without any sufficient supervision on the ground to confirm the actual works carried out. Indeed demand from contractors for additional payment and interest accrued, even after being awarded for works not done and abandoning site bear testimony to the carelessness with which the projects were executed and supervised.

The Committee recommends that:-

(i) the University in future analyses its financial position before embarking on ambitious projects without any financial backing; and

(ii) disciplinary measures be taken against the Resident Engineer, who approved the payment certificates for the projects for the shoddy manner in which the works were supervised.

3. LOSS OF CASH

During the year 1996/97, the College lost Kshs.331,346 through payroll fraud by an employee. Although I am now informed that the matter was reported to the police for action, as far as it has been possible to ascertain, the suspect employee has neither been apprehended nor has any recovery of the loss been made.

The Committee heard the evidence by the Chief Executive that during the year under review, the College lost Kshs.331,346 through payroll fraud by an employee.

The Committee was informed that the matter was reported at the Maseno Police Station immediately the fraud was discovered and the employee, Mr. Nyamu, went underground and has not been apprehended to date.

The Committee recommends that the Chief Executive follows the matter with the Maseno Police Station with a view to having Mr. Nyamu apprehended and taken to court.

4. CAR LOAN SCHEME

During the year under review, the College granted car loans to some of its employees under its Car Loan Scheme. However, the terms and conditions of the Car Loan Scheme were not observed as, for instance, most of the logbooks were not registered in joint names and were not deposited with the College for safe custody. Furthermore, the vehicles were similarly not insured in joint names of the College and the staff thus putting at risk the College's interest in the vehicles. Moreover, the loanees did not sign and deposit with the College blank transfer forms to further forestall the security of the loans.

The Committee heard the evidence given by the Chief Executive that during the year under review, the College operated a Car Loan Scheme without proper regulations guaranteeing security of the loans administered.

The Committee was informed that the loans given were strictly secured on the Pension benefits of the loanees and that chances of the University losing money in the event of failure to repay were minimal.

The Committee was further informed that the scheme was discontinued in the year 2001 in lieu of requirements of the Retirement Benefits Authority rules, which disallowed employees' pension benefits being used as security for loans.

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF MASENO UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 1998

1. FINANCIAL POSITION

The University's financial position for the year 1997/98 continued to be precarious in that the College realized an operating deficit of Kshs.20,664,689 as at 30 June 1998 which increased its cumulative deficit from Kshs.42,143,355 as at 30 June 1997, to Kshs.62,808,045 as at 30 June 1998. The Accounts also reflect negative working capital of Kshs.204.049,126 while the College was also unable to remit statutory deduction amounting to Kshs.23,265,604 as well as Maseno University College Pension Scheme dues of Kshs.10,051,364. Quite clearly therefore, the College was facing serious financial problems.

The Committee received evidence from the Chief Executive that during the year under review, the University had serious financial problems with a deficit of Kshs.20,644,689 and a negative working capital of Kshs.204,049,126 and that remittances to the Pension Fund had a shortfall of Kshs.10,051,364.

The Committee was informed that the financial position of the University has improved with surpluses being realized and that all statutory obligations have been fully met, thereby resolving the audit query.

2. FIXED ASSETS

As was the case in the previous year, the University's Balance Sheet fixed assets figure of Kshs.113,696,227 as at 30 June 1998 excludes an undetermined value of assets inherited from both Siriba Teachers College and Government Training Institute, Maseno. As a result, therefore, the fixed assets balance of Kshs.113,696,227 as at 30 June 1998 is, understated to the extent to the value of the omitted assets inherited from the two institutions.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Fixed Assets figure in the balance Sheet of Kshs.113,696,227 excluded the value of assets inherited from Siriba Teachers Training College and Government Training Institute.

The Committee was informed that a valuer was contracted from the University of Nairobi in 1998 and the properties have since been valued at Kshs.829,000,000 and the figures captured in the 1998/1999 financial year, thereby resolving the audit query.

3. WORK-IN-PROGRESS

3.1 In previous years reports, reference was made to capital Work-in-Progress relating to construction of Hostels, Kitchen, Dinning Hall, Lecture Halls, Seminar Rooms and Office Accommodation, which had remained stalled since 1992 and whose projected cost to completion materially exceeded that originally planned for. A review of the status of these projects during the year 1997/98 showed that the projects still remained stalled, even though additional expenditure of Kshs.152,338,424 was incurred on the projects during the year 1997/98. The above additional expenditure included Kshs.142,676,093 paid in respect of consultancy fees while the balance of Kshs.9,662,331 represented payments to contractors. The College did not, however, justify its decision to incur such a large expenditure on payment of consultancy claims in respect of projects which had stalled more than six (6) years back.

3.2 The College also paid Kshs.1,400,000 in 1996/97 and a further amount of Kshs.9,180,000 in 1998/99 to a mechanical and electrical engineering firm against a fee note of Kshs.28,314,097 in respect of the Science Complex project. Records show that the management had earlier disputed the fee note as having been inflated and also on the fact that the Provincial Quantity surveyor, Nyanza, had not provided sound technical advice on the matter. No further information was, however, availed to indicate how the College eventually accepted the fee note as proper and payable.

The Committee heard the evidence given by the Chief Executive that during the year under review, an additional expenditure was incurred on stalled projects on consultancy fees (Kshs.9,622,331) even though the project had been dormant for more than six years.

The Committee was informed that these payments were due to interest and penalties arising as a result of prolonged delays in payment.

The Committee was further informed that Kshs.1,400,000 and Kshs.9,180,000 was paid to a mechanical and electrical engineering firm against a fee note of Kshs.28,314,097 in respect of the science complex. The payment was made based on the technical advice from the Ministry of Roads and Public Works.

The Committee was also informed that due to issues arising regarding impropriety in the execution of the projects, the Government set up a task force to investigate the matter and a consultant was hired to confirm the correctness of the accounts, after which all deserving pending bills were settled, thereby resolving the audit query.

4. OUTSTANDING IMPRESTS – KSHS.2,758,198

The P dance Sheet Debtors figure of Kshs.5,204,711 as at 30 June 1998 includes outstanding imprests totaling Kshs.2,758,198 out of which imprests amounting to Kshs.881,765 have remained outstanding for quite sometime, some dating back to May 1997. A review of the position in December 2000, showed that imprests totaling Kshs.1,461,227 were still outstanding out of which Kshs.804,170 were outstanding against seven officers each of whom concurrently held over six such unsurrendered imprests.

The Committee heard the evidence given by the Chief Executive that during the year under review, imprests amounting to Kshs.881,765 had been outstanding since May 1997.

The Committee was informed that majority of imprest which had been outstanding for some time related to research grants from donors who usually require that accounting for imprests be made on completion of research project. Sometimes PHD projects would take three to four years.

The Committee was informed that the imprests have been accounted for and accounts verified by the auditors.

The Committee recommends that information be availed to the auditors as and when required for audit.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA PLANT HEALTH INSPECTORATE SERVICE FOR THE EIGHTEEN MONTHS PERIOD ENDED 30 JUNE 1999

FIXED ASSETS

The Balance Sheet Fixed Assets figure of Kshs.23,389,833 as at 30 June 1999 excludes the value of land and buildings inherited from the Kenya Agricultural Research Institute upon inception of the Inspectorate, all valued at Kshs.855,881,329. In addition and although the Inspectorate's land at Kitale, measuring 350 acres has been encroached by squatters, there is no information available to indicate how the issue of the ownership of the land is being addressed or resolved, particularly in view that the Inspectorate does not hold a title deed for the subject land. The Inspectorate's fixed assets reflected in these Accounts are, therefore, understated to the extent of the value of the excluded assets while the surplus for the period is overstated to the extent of the depreciation charge not made in respect of the omitted buildings.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation land in Kitale was excluded from the fixed asset figure of Kshs.23,389,833 reflected in the balance sheet.

The Committee was informed that the Inspectorate inherited assets from Kenya Agricultural Research Institute (KARI) at inception in 1997 and that their values had not been ascertained at the time of audit. The Inspectorate commissioned Messrs Lloyd Masika Valuers to undertake a comprehensive valuation and a report was released in February 2001 and the values subsequently incorporated in the 2000/2001 accounts.

The Committee was further informed that prior to the inception of the Inspectorate, the Government had set aside 400 acres for plant and seed varieties assurance and due to lack of title deed for the land, private developers encroached on the farm.

The Inspectorate has continued efforts to repossess the land and so far has managed:-

(i) **to obtain a title for the 25 acres plot which hosts offices and residential houses in the name of KARI; and**

(ii) **to recover 80 acres and is currently seeking allotment and the title deed for the same.**

The Chief Executive further informed the Committee that some cases filed by private developers concerning the said land have been dismissed by court, even though the Corporation is yet to re-possess the remaining 225 acres.

The Committee noted that even though a total of 105 acres is in the hands of the Inspectorate, some staff residential houses are in occupation by private developers.

The Committee reiterates its earlier Recommendation in its 9th Report page 150 that:

Top Station:

(i) the Government should revoke all the allocations at the Top Station and repossess the land and improvement thereon and issue title deeds to KARI;

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

(iii) all the allottees who have vandalized KARI properties should be made to pay for them;

(iv) Mr. Ben Mogaka, the then District Commissioner, Trans Nzoia District and currently Deputy Secretary, Ministry of Research and Technology, and Mr. R. C. Butaki, Centre Director, Kitale, should be barred from holding any public conferred by the Republic of Kenya;

(v) the Government should censor Rev. Silas Yego for his unreligious conduct and the Committee recommends that he should be banned from holding any public office conferred by the Republic of Kenya; and

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

Lower Station:

(i) the Government should revoke all the allocations at the lower station and the Commissioner of Lands must cancel the title deeds issued and the leases given; and

(ii) the Commissioner of Lands must produce the names of the beneficiaries of the two unaccounted for plots.

The Committee further recommends that the Chief Executive uses all means possible, including litigation, to repossess the Corporation's land.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA PLANT HEALTH INSPECTORATE SERVICE FOR THE YEAR ENDED 30 JUNE 2000

1. FIXED ASSETS

As was the case in the previous year, the net Balance Sheet fixed assets figure of Kshs.23,587,398 as at 30 June 2000 excludes the value of land, buildings and site works, plant and equipment all valued at Kshs.877,829,822 as well as an undetermined value of other equipment inherited from Kenya Agricultural Research Institute upon the inception of the Inspectorate. In addition, the Inspectorate's land at Kitale, measuring 330 acres, has been encroached by squatters and there is no information available to indicate how the issue of ownership of the land is being addressed or resolved, particularly in view that the Inspectorate does not hold title deeds for the subject land. The Inspectorate's fixed assets reflected in these Accounts surplus for the year under review is overstated to the extent of the depreciation charge not made in respect of the omitted buildings and equipment.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Corporation land in Kitale was excluded from the fixed asset figure of Kshs.23,389,833 reflected in the balance sheet.

The Committee was informed that the Inspectorate inherited assets from Kenya Agricultural Research Institute (KARI) at inception in 1997 and that the values their values had not been ascertained at the time of audit. The Inspectorate commissioned Messrs Lloyd Masika Valuers to undertake a comprehensive valuation and a report was released in February 2001 and the values subsequently incorporated in the 2000/2001 accounts.

The Committee was further informed that prior to the inception of the Inspectorate, the Government had set aside 400 acres for plant and seed varieties assurance and due to lack of title deed for the land, private developers encroached on the farm.

The Inspectorate has continued efforts to repossess the land and so far has managed:-

(i) **to obtain a title for the 25 acres plot which hosts offices and residential houses in the name of KARI; and**

(ii) **to recover 80 acres and is currently seeking allotment and the title deed for the same.**

The Chief Executive further informed the Committee that some cases filed by private developers concerning the said land have been dismissed by court, even though the Corporation is yet to re-possess the remaining 225 acres.

The Committee noted that even though a total of 105 acres is in the hands of the Inspectorate, some staff residential houses are in occupation by private developers.

The Committee reiterates its earlier Recommendation in its 9th Report page 150 that:

Top Station:

(i) the Government should revoke all the allocations at the Top Station and repossess the land and improvement thereon and issue title deeds to KARI;

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

(iii) all the allottees who have vandalized KARI properties should be made to pay for them;

(iv) Mr. Ben Mogaka, the then District Commissioner, Trans Nzoia District and currently Deputy Secretary, Ministry of Research and Technology, and Mr. R. C. Butaki, Centre Director, Kitale, should be barred from holding any public conferred by the Republic of Kenya;

(v) the Government should censure Rev. Silas Yego for his unreligious conduct and the Committee recommends that he should be barred from holding any public office conferred by the Republic of Kenya; and

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

The Committee further recommends that the Chief Executive uses all means possible, including litigation, to repossess the Corporation's land.

2. DEBTORS

The Balance Sheet Debtors figure of Kshs.23,412,439 as at 30 June 2000 includes trade debts totaling Kshs.12,902,322 which in turn include debts totaling Kshs.10,616,971 owed by Kenya Seed Company Limited. The amount, which is 83% of the trade debts,

has been outstanding for the last two years. Although available information indicates that the Kenya Seed Company is reluctant to clear the debts and that the Inspectorate has threatened to withdraw its services of seed inspection before sale, it has, however, still not yet been established whether an agreement has been reached with the Company to have the debt settled and as a result, it has not been possible to confirm the recoverability of the amount owing from the Kenya Seed Company.

The Committee was informed by the Chief Executive that during the year under review, the debtors figure of Kshs.23,412,439 includes a debt of Kshs.10,616,971 owed by Kenya Seed Company Limited.

The Committee was further informed that the debt arose out of a technicality in the charges for the services offered to the Company and that the accounts were reconciled and the debt settled in the year 2000 through cheque numbers 025074, 000397 and 036454 for Kshs.4,813,681.40, Kshs.2,557,455.50 and Kshs.1,879,834.85 respectively.

The Committee was also informed that the other outstanding debt relates to KARI and that consultations are on-going to agree on a schedule of payments as the latter is unable to pay upfront.

The Committee recommends that the Chief Executive follows up the outstanding debt with KARI and also ensures that information is availed to auditors as and when required.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA PLANT HEALTH INSPECTORATE SERVICE FOR THE PERIOD ENDED 30 JUNE 2001

As previously reported, the Inspectorate's land in Kitale measuring 330 acres was irregularly allocated to private developers. Although in its 9th Report, the Public Investments Committee directed that the land should be re-possessed, no such repossession has taken place. Consequently, it has not been possible to confirm the ownership by the inspectorate of the land in Kitale.

The Committee heard the evidence given by the Chief Executive that 330 acres of the Inspectorate's land in Kitale is in the hands of private developers despite the PIC recommendation on the matter that the said land be repossessed.

The Committee reiterates its earlier Recommendation in its 9th Report page 150 that:

Top Station:

(i) the Government should revoke all the allocations at the Top Station and repossess the land and improvement thereon and issue title deeds to KARI;

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

(iii) all the allottees who have vandalized KARI properties should be made to pay for them;

(iv) Mr. Ben Mogaka, the then District Commissioner, Trans Nzoia District and currently Deputy Secretary, Ministry of Research and Technology, and Mr. R. C. Butaki, Centre Director, Kitale, should be barred from holding any public conferred by the Republic of Kenya;

(v) the Government should censor Rev. Silas Yego for his unreligious conduct and the Committee recommends that he should be banned from holding any public office conferred by the Republic of Kenya; and

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

The Committee further recommends that the Chief Executive uses all means possible, including litigation, to repossess the Corporation's land.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA INSTITUTE ADMINISTRATION FOR THE YEAR ENDED 30 JUNE 1998.

FIXED ASSETS

Although Section 16 of the Kenya Institute of Administration Act, 1996 vested in the Institute all funds, assets and other property, moveable and immovable, which immediately before coming into operation of the Act, were held by Government for the former Institute, the Balance Sheet fixed assets figure of Kshs.6,981,199 is only the value of fixed assets acquired by the Institute during the year 1997/98. The figure also excludes the value of 12 vehicles valued at Kshs.5,761,600 as well as an undetermined value of the Institute's land and buildings. In addition, all the motor vehicles belonging to the Institute are still registered in the name of Government of Kenya and no satisfactory explanation has been provided regarding the non-transfer of these assets to the Institute. In view of the foregoing, the Institute's fixed assets as at 30 June 1998 do not appear to be properly stated in these Accounts.

The Committee heard the evidence given by the Chief Executive that during the year under review, a valuation of the Institute's fixed assets had not been done at the time of preparation of the final accounts and that the valuation report was issued on 17th November 1998.

The Committee was informed that prior to the delinking of the Institute from the Directorate of Personnel Management on 30th June 2003, all the Institute's assets were held by the Government and the process of acquisition of ownership documents was not done immediately.

The Committee was also informed that the Institute is currently in possession of log books for all its vehicles and that the following assets totaling Kshs.6,981,199 which were included in the acçounts are as follows:-

Land and buildings	-	Kshs. 347,646
Furniture and fittings	-	Kshs.2,462,299
Motor vehicles	-	Kshs.3,995,000
Library Books	-	Kshs. 176,254
Total	-	Kshs.6,981,199

The Committee recommends that the Chief Executive ensures that the records are availed for audit as and when required by the auditors.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA INSTITUTE OF ADMINISTRATION FOR THE YEAR ENDED 30 JUNE 1999.

1. FIXED ASSETS

Although the Kenya Institute of Administration owned some 204 acres of land prior to the year 1988, a substantial portion of this land and an undetermined value of buildings standing on the same land were, however, taken over by a public university apparently without compensation. Further, seven parcels of land numbered 11508 to 11514 and which are part of the Institute's land, appear to have been allocated to private developers without the Institute's approval. Three (3) of the plots were allotted to one family while three others were being allotted to a private firm. As no titles of ownership of these plots as well as for the rest of the KIA land have been seen, it is not possible to confirm that the Institute's land is properly secured. In additional, all the Institute's vehicles are still registered in the name of the Government and their ownership by the Institute cannot therefore, be confirmed.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Institute's land was excised by the Government for use by the University of Nairobi, without compensation.

The Committee was informed that:-

(i) **the Government in 1988 made a decision to accommodate the Faculty of Commerce, University of Nairobi in the Institute in order to address the double intake problem in all major universities at the time. Consequently, some of the land was given to the University to address the problem;**

(ii) **the Institute has since 1995 made efforts to reclaim Plot Numbers 11509 to 11511 which were irregularly allocated to a private developer, a Mrs. June Nyawira Mathenge and a case No. HCC679 of 2006 is pending in court for hearing;**

(iii) **a further three plots: Plot No. 11512 to 11514 have been allocated to Messrs EAW Enterprises though no titles have been issued yet; and**

(iv) **all the Institute's vehicles have been registered in its name.**

The Committee was also informed that the matter of irregular allocation of the plots was presented to the Ndungu Commission of Inquiry into Illegal/Irregular Allocation of Public Land of 2004 which recommended that the said allocation be revoked.

The Committee recommends that the Institute follows up the illegal allocation of its land with a view to having the parcel of land reverted to the Institute.

2. WORK IN PROGRESS

In the report for the year 1997/1998, reference was made to the Contract for the construction of Hostel blocks, Kitchen, Dining Hall and Laundry block at a contract sum of Kshs.50,000,000 and for a period of 104 weeks effective from 7 March 1990. It was also indicated that by 30 June 1998, a total of Kshs.95,132,999 had been paid to the Contractor, thereby occasioning a contract cost overrun of Kshs.45,132,999. A review of the position during 1998/99 revealed that another contractor was contracted for a period of 12 weeks at a sum of Kshs.15,111,478 to replace the original contractor, whose services had been terminated. As at 30 June 1999, the Project had cost the Government a total of Kshs.102,256,654 or more than double the amount of the original contract. Further, the Institute's records revealed that construction equipment and other items of unknown values that apparently had already been paid for by Government were taken away from the site and their whereabouts could not be established. Apart from the fact that the Institute is likely to lose an undetermined amount relating to such equipment, the total Project cost overrun of Kshs.52,256,654 of about 104.5% of the original contract price reflects possible inadequacy in the planning and implementation of the Project. In addition, the Work in Progress figure of Kshs.102,256,654 has erroneously been treated in these accounts as a current asset.

The Committee heard the evidence from the Chief Executive that during the year under review, the Institute commissioned M/s Naciti Engineers Ltd to construct hostel blocks, kitchen, dining hall and a laundry block at a cost of Kshs.50,000,000 for a period of 104 weeks beginning March 1990.

The Committee was informed that:-

(i) **the Contractor abandoned works in August 1997 forcing the Institute to hire the services of M/s Karuri Civil Engineering Ltd to complete the project;**

(ii) **M/s Naciti Engineers Ltd carried away from site machinery and other items of unknown value and that to-date, the items have not been returned or paid for;**

(iii) **the change in contractors, delayed payments, hiring of specialized sub-contractors and the devaluation of the shilling to the Sterling Pound contributed to the increased cost of the project on completion, which stood at Kshs.102,256,654; and**

(iv) **the amount of Kshs.102,256,654 was captured in the accounts as a current asset though after capitation of the project, the figure was**

added to the fixed assets account under land and buildings in the 1999/2000 financial year.

The Committee was concerned that ten years down the line, no action has been taken to identify and claim back items taken away by contractor and that no action has been taken to have the items recovered.

The Committee recommends that:-

(i) the Chief Executive takes appropriate action to recover government equipment / machinery carried away by M/s Naciti Engineers Ltd; and

(ii) the Chief Executive must ensure that projects are implemented in good time to avoid unnecessary escalation of costs.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA INSTITUTE OF ADMINISTRATION FOR THE YEAR ENDED 30 JUNE 2000.

1. FIXED ASSETS

In the report for the year 1998/99, reference was made to seven parcels of land numbered 11508 to 11514, which were apparently allocated to private developers without the approval of the Institute. A review of the matter in the year 1999/2000 showed that titles of ownership for these plots had still not been obtained, a position, which now tends to confirm the possibility that the properties may actually have been alienated to those other parties.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Institute's land was excised by the Government for use by the University of Nairobi, without compensation.

The Committee was informed that:-

(i) the Government in 1988 made a decision to accommodate the Faculty of Commerce, University of Nairobi in the Institute in order to address the double intake problem in all major universities at the time. Consequently, some of the land was given to the University to address the problem;

(ii) the Institute has since 1995 made efforts to reclaim Plot Numbers 11509 to 11511 which were irregularly allocated to a private developer, a Mrs. June Nyawira Mathenge and a case No. HCC679 of 2006 is pending in court for hearing;

(iii) a further three plots: Plot No. 11512 to 11514 have been allocated to Messrs E.A.W Enterprises though no titles have been issued yet; and

(iv) all the Institute's vehicles have been registered in its name.

The Committee was also informed that the matter of irregular allocation of the plots was presented to the Ndungu Commission of Inquiry into Illegal / Irregular Allocation of Public Land of 2004 which recommended that the said allocation be revoked.

The Committee recommends that the Institute follows up the illegal allocation of its land with a view to having the land reverted to the Institute.

2. SUNDRY DEBTORS

Included in the Balance Sheet Sundry Debtors figure of Kshs.55,496,962 as at 30 June 2000 is an amount of Kshs.13,700,152 comprising of unremitted development and recurrent Government grants totaling Kshs.3,700,152 and Kshs.10,000,000 respectively. In view of the fact that Government grants relapse after the end of the financial year to which they relate unless revoted, the total debtors amount of Kshs.13,700,152 shown as due to Government in respect of such grants may not be recoverable, particularly in view that no information has been seen in support of Government commitment to have the grants revoted. Consequently, the debtors and retained surplus balances for the year 1999/2000 are overstated to the extent of the grants not likely to be recovered.

The Committee heard the evidence given by the Chief Executive that during the year under review, Kshs.13,700,154 comprising of unlimited development and recurrent government grants was reflected in the accounts as sundry debtors.

The Committee was informed that Kshs.10 million was written off in the income and expenditure statements for the financial accounts of 2003/2004, while the balance of Kshs.3 million was offset against debts owed by DPM, thereby resolving the audit query.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF LAKE BASIN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2000

1. FINANCIAL POSITION

As in previous years, the Authority incurred a deficit of Kshs.46,118,080.55 during the year ended 30 June 2000 thereby bringing accumulated revenue reserves to a negative balance of Kshs.172,376,430.05. The Balance Sheet reflects a negative working capital of Kshs.105,808,079 which included a bank overdraft balance of Kshs.190,983,046 as at the same date. The Authority was therefore technically insolvent and the financial statements have been prepared on a going concern basis on the assumption that it will continue to receive financial support from the Government, bankers and creditors.

The Committee heard the evidence given by the Chief Executive that during the year under review, the Authority incurred a deficit of Kshs.46,118,080.55 bringing accumulated revenue reserves to a negative balance of Kshs.172,376,430.05

The Committee was informed that the following factors were responsible for the Authority's poor financial performance:-

(i) under funding in the previous and current years leading to accumulation of debts;

(ii) escalation of financial costs of Kshs.12,731,887 being interest on bank overdraft with the National Bank incurred in 1991/1992; and

(iii) depreciation charge of Kshs.27,298,601.95 in the income and expenditure account, which is a non-cash item.

The Committee was informed that the Authority in 1995 sought an overdraft facility with the National Bank of Kenya of Kshs.3 Million repayable over a period of 12 months. However, due to inability to service the loan, interest has accumulated, bringing the Authority's indebtedness to the Bank at Kshs.818,791,121.20 as at 30th June 2006.

The Committee was further informed that the total amount repaid in respect of this loan by the Authority / parent Ministry is Kshs.46 million.

The Committee noted that the Authority has entered into negotiations with the Bank and that the matter has been forwarded for consideration by the Government under the Pending Bills Committee.

The Committee was however concerned that the Corporation's debts have been mounting without assistance from the Government through the parent Ministry

and that the losses would not have escalated to such levels had there been adequate financial intervention by the Government during the year under review.

The Committee therefore recommends that:-

(i) the Chief Executive puts in place cost cutting measures and ensures that the Authority maximizes its resources and finds ways of generating income activities for the Authority;

(ii) the Chief Executive urgently holds consultations with the Bank with a view to having the Bank write off the loan; and

(iii) the Chief Executive ensures prudent management of the Corporation and in future avoids borrowing funds the Authority has no capacity to repay.

2. FIXED ASSETS

The Fixed Assets figure of Kshs.637,293,056 as at 30 June 2000 includes eight (8) unsurveyed plots of land valued at Kshs.11,219,300 and seven (7) surveyed plots valued at Kshs.41,410,000 and whose title deeds have not been obtained. In addition, the fixed asset figure includes Kshs.1,545,000 being the value of plot No. Block12/40, which was transferred to third parties on 30 March 1998 in an unsatisfactory manner. The fixed assets figure also includes an amount of Kshs.59,166,800 in respect of leased land, whose supporting schedule reflected Kshs.55,824,300, thereby resulting in an unexplained difference of Kshs.3,342,500 as at 30 June 2000. Further, the Balance Sheet figure of Kshs.637,293,056 excludes the value of thirteen (13) parcels of land being used by the Authority, but with no title documents. Under the circumstances, and as in previous years, it has not been possible to confirm the accuracy of the fixed assets figure of Kshs.637,293,056 reflected in the financial statements as at 30 June 2000.

The Committee heard the evidence given by the Chief Executive that during the year under review, the value of Fixed Assets included Kshs.11,219,300 being the value for eight (8) plots and Kshs.41,410,000 for seven (7) plots, without title deeds.

The Committee also heard that 13 parcels of land were excluded from the fixed assets figure as they had not been valued and lacked title deeds.

The Committee was further informed that the Authority has commissioned lawyer to assist in securing title deeds for the surveyed plots and that:-

(i) a piece of the Authority's land in Muhoroni has been occupied by squatters and the Chief Executive registered a caveat emptor on the land to safeguard the interests of the Authority; and

(ii) the difference of Kshs.3,342,500 between the figure of Kshs.59,166,800 for leased land and Kshs.5,824,500 for its supporting schedules has not been reconciled.

The Committee recommends that:-

(i) the Chief Executive urgently values all the Corporation's land and ensures that title deeds are issued for all the parcels; and

(ii) the reconciliation of the accounts be done and information be availed to auditors as and when required for audit.

3. CONTINGENT LIABILITIES

During the year ended 30 June 2000, the Authority had several cases which were still pending in Courts of Law and whose estimated decretal quantum was Kshs.51,863,391. Although material, this figure has not been disclosed in the financial statements and the management has, however, not indicated how it intends to settle the contingent liabilities if they become due and the source of the funding.

The Committee heard the evidence given by the Chief Executive that during the year under review, legal cases in court with a decretal value of Kshs.51,863,391 were not disclosed in the financial statements.

The Committee was informed that the following cases were pending in court:-

No.	CASE PARTICULARS	AMOUNT (Kshs)
1	Philip Ongudi vs LBDA	900,000.00
2	John Odawa vs LBDA	993,891.00
3	Emanuel Tangala vs LBDA	1,000,000.00
4	David Okumu vs LBDA	300,000.00
5	David Onyango vs LBDA	300,000.00
6	Janet Olga Ogutu vs LBDA	250,000.00
7	John O. Nyambogo vs LBDA	247,069.00
8	Bonface Awuor vs LBDA	400,000.00
9	Anne Cheredi vs LBDA	1,500,000.00
10	Charles Baraza vs LBDA	400,000.00
11	M & E Consulting Engineers vs LBDA	33,578,536.00
12	Nyamongo & Nyamongo Advocates	2,020,000.00
13	Forefront Auctioneers M&E Case No.2098 of 1993	1,500,000.00
14	Kilonzo & Co. Advocates HCC No.5429 of 1993	2,129,499.00

15	Earnest Imbomba vs LBDA	1,500,000.00
16	Maspa & Reny Enterprises HCC No.2834 of 1992	1,800,000.00
17	Others	3,044,396.00
	Total	51,863,391.00

The Committee was informed that Kshs.2,572,019 was paid during the year 2005/2006 in form of legal fees while those cases requiring colossal sums of money have been referred to the Pending Bills Committee for determination and settlement.

The Committee recommends that the Chief Executive ensures that all contingent liabilities are captured in the books of accounts in accordance with accounting procedures.

4. CREDITORS

The Creditors balance of Kshs.137,105,997 as at 30 June 2000 includes an amount of Kshs.83,483,711 due to a contractor in respect of stalled Headquarters building project. No supporting documents were availed for audit review, consequent upon which it was not possible to confirm the creditors figure of Kshs.137,105,997 reflected in the financial statements.

The Committee heard the evidence given by the Chief Executive that during the year under review, documentation regarding the creditors Balance Sheet figure of Kshs.137,105,997 in respect of a stalled headquarters building and staff houses was not availed for audit.

The Committee was informed that:-

(i) the contract for the works was awarded to M/s. N. K. Brothers in October 1990 by the Permanent Secretary for Regional Development at a contract sum of Kshs.396,650,238 thereby nullifying a contract awarded to the lowest bidder, China Corporation;

(ii) the project was expected to run from 1st November, 1990 to 19th March 1992 and that the Authority was not party to the contract;

(iii) the project stalled in 1991 at 20% completion stage due to lack of funding;

(iv) meetings held between the Treasury, parent Ministry, Ministry of Roads and Public Works and the Attorney General regarding the project resolved that the project be scaled down to Kshs.147 Million;

(v) due to lack of funding from Treasury, the Corporation has forwarded all claims and unpaid bills to the Pending Bills Committee; and

(vi) the amount of Kshs.83 million due to the contractor during the year was part of the Bills being considered for settlement by the Pending Bills Committee.

The Committee questions why the above-mentioned information was not availed at the time of audit . the Committee further abhorred the fact that the parent Ministry had been micromanaging the LABDA as evidence by the manner in which the project was handled.

The Committee therefore recommends that:-

(i) the Chief Executive should avail all documentation to the auditors as and when required ; and

(ii) the Chief Executive ensures that the Authority's books of accounts are in accordance with International Accounting Standards.

MATTER OF KENYA PORTS AUTHORITY AND HANDLING OF GRAINS, CEREALS AND FERTILISERS IN THE PORT OF MOMBASA BY M/S. GRAIN BULK HANDLERS LIMITED

In execution of its mandate, the Committee considered the matter of grain handling by the Port of Mombasa by M/s. Grain Bulk Handlers Limited (GBHL). Arising from its Ninth Report, (page 38), the Committee was aware that the grain handling license under which GBHL was operating was lopsided as it granted the Company undue monopoly at the Port of Mombasa and was eroding the grain handling revenue collectable by KPA. The Committee was also aware that the grain handling agreement entered between KPA and GBHL was due to expire in the year 2008.

To this end, the Committee, on March 12, 2007 paid a visit to KPA and took evidence on the said matter from the management of the Authority. The Chief Executive of the Authority, Mr. Abdallah H. Mwaruwa informed the Committee that:-

Background

(i) in 1977 M/s. Jaffer and Jaffer Ltd. leased plot No.1/370 from KPA. for a period of 33 years for the purpose of developing a Timber and Palate Storage facility;

(ii) in 1983, M/s. Jaffer and Jaffer Ltd changed user from handling Timber and Palate to container storage;

(iii) on 24th December 1992, KPA allowed M/s. Jaffer and Jaffer to build a conveyor system. This was done by way of a way-leave agreement between the two parties;

(iv) at the time, KPA had set aside a parcel of land (Plot No.1/397) adjacent to one leased to M/s. Jaffer and Jaffer Ltd anticipating that NCPB would construct a Grain handling facility. The Corporation had expressed interest to construct such facility. However, they were disqualified on the grounds that they intended to build silos at the Port. KPA felt that such development would adversely affect its operations. NCPB was also said to have been experiencing financial difficulties at the time;

(v) in 1994, M/s. Jaffer and Jaffer Ltd made application to KPA to commence constructing a grain handling facility by this time they had changed name to Grain Bulk Handling Ltd. (GBHL);

(vi) in 1994, they applied for and obtained lease extension of the lease for the Plot No. 1/370 from 33 years to 99 years. They also successfully applied for and obtained lease for the adjacent plot (1/397) for 99 years. These two plot were subsequently amalgamated into Plot No.1/400;

Grain Handling

(vii) in March 1998, GBHL was allowed (by way of a variation of the 1992 Way-leave agreement) to construct an overhead conveyor system for purposes of handling grains and fertilizers. This outstripped on the Authority's land;

(viii) in June 1998, the way-leave agreement was again varied to give GBHL rights and privileges of passage on the KPA's strip of land (for purpose of the grain conveyancing) and right to install, operate and maintain loaders, plant and equipment on Plot No.1/400;

(ix) in November 1998, GBHL procured loans totalling US $ 23,500,000 from international financiers on the strength of the Way Leave Agreement on the said plot; The total cost for constructing the facility was U.S. $ 35 Million.

Grain Handling Agreement

(x) on December 17, 2002, KPA entered into an agreement with GBHL (backdated to February 15, 2000) authorizing the latter to undertake bulk grain handling at the Port of Mombasa for a period of eight years. The agreement expires on February 15, 2008. The discharge of the commodity was to be done on Berths 3 and 4;

(xi) the consideration for the agreement was an annual fixed fee of U.S. $ 5,000. The license agreement included the applicable tariff of U.S $ 2.00 per Metric ton handled. GBHL in turn, charges between U.S $ 13.00 and $ 16.00 per Metric ton for stevedoring and shore handling;

(xii) with time, project has resulted in undue monopoly by GBHL in provision of grain handling services at the Port;

KPA Master Plan

(xiii) the Authority has proposed, in its Master Plan (which was to commence in July 2007), that operations be charged without specific reference to products. The tariff be cost based; and

(xiv) GBHL had requested KPA to extend the agreement to the year 2028 under the prevailing tariff.

The Committee noted that: -

(i) as a result of the GBHL's monopoly, KPA lost 20 percent of its annual revenue. This represents the revenue that KPA was collecting from grain handling;

(ii) other firms which have expressed interest in operating similar facilities at the Port include: National Cereals and Produce Board (NCPB), Coast Silos Ltd, Kenya Bulk Handlers Ltd, and Mombasa Maize Millers. NCPB have since withdrawn their interest;

(iii) the management of KPA has repeatedly criticized the way-leave agreement as lopsided and a loss to KPA. For instance, the former Managing Director of KPA appearing before the committee on January 28, 2000 stated that:-

- It would appear that KPA would lose all grain handling business to GBHL;

- the agreement was done with half-baked ideas. That in entering into the arrangement with GBHL, KPA failed to consider its losses. What KPA should have done is to have the project as a joint venture with GBHL and factor in the value of the parcels of land as its part of equity in the project;

- it was a mistake for KPA to grant GBHL a monopoly in grain handling at the Port and to allow the firm to use the Authority's land to construct the facilities since any other competitor would find it difficult to do so;- This granted GBHL an undue competitive edge over future potential competitors;

(iv) GBHL, through letter REF mhj/KPA27.02.07 of February 27, 2007, requested KPA to extend the agreement to the year 2028 under the prevailing tariff;

Having examined the Agreement made between KPA and GBHL on 17th December 2002, the Committee noted that it was made in blatant disregard to the Authority's interest. For instance: -

(i) Clause 5.1 (a) obligates KPA to give priority of access to the Berths and discharge of commodities, any ships that GBHL has contracted;

(ii) Clause 5.1(b) prohibits KPA (or even its employee) from permitting any person to develop and/or operate any facility capable of discharging grains, cereals and fertilizers shipped in bulk from a ship docked at any Berth in the Port for the period of the Agreement;

(iii) Clause 5.1(d) sets the tariff payable by GBHL at merely U.S. $ 2 per tonne. This is cannot be reviewed during the period of the Agreement;

(iv) Clause 5.1(e) prohibits KPA from publishing or creating any separate category of tariffs in respect of handling of grains, cereals and fertilizers save for those set by GBHL.

The Committee questioned why the then management of KPA committed the Authority to such lopsided contract even when it had, within its employment, qualified legal experts headed by its then Company Secretary who signed the Agreement;

The Committee also examined the letter REF mhj/KPA27.02.07 of February 27, 2007, requesting KPA to extend the Agreement. In part, the letter, asked the Authority to agree to amend the Agreement by deleting the words in the fourth line of Clause 5.1 "*...eight (8) years commencing from 15th February, 2000*" and replacing with the words "*commencing from 15th February 2000, consistent with the December 2004 KPA Master Plan until 15th February 2028*". The Committee noted that the effect of such amendment would be tantamount to re-granting GBHL a monopoly of grain bulk handling for the next twenty years, locking out the possibility of a healthy competition in provision of the service and continued deprivation of KPA's revenue collectable from such service.

The Committee therefore recommend that: -

(i) the Authority ensures that its grain handling policy allows fair competition;

(ii) while considering the application by GBHL for renewal of license the Authority ensures that the prohibitive clauses, including and not limited to those motioned in this Report are reviewed to safeguard the interest of the Authority and fair competition in handling of all commodities at the Port; and

(iii) the Authority ensures that the tariff payable by GBHL and other handlers of similar commodities are reviewed to reflect the prevailing competitive market realities.

SCHEDULE OF APPEARANCES BY STATE CORPORATIONS AND WITNESSES*

CORPORATION	DATE(S) APPEARED	ACCOUNTS/ ISSUES	PARAGRAPHS
Kenya Meat Commission	Tuesday, June 20th, 2006 (Morning)	Inspection Visit	
Capital Markets Authority	Tuesday, July 25th, 2006 (Morning)	2003/2004 2004/2005	Deferred evidence
	Thursday, February 15th, 2007	2003/04 2004/05	1 2
Chemilil Sugar Company	Thursday July 27th, 2006 (Morning)	2003/2004 2004/2005	
Higher Education Loans Board	Thursday, August 3rd, 2006 (Morning)	1998/1999 1999/2000 2000/2001	1, 2 1 1
Gilgil Telecommunications Industries	Thursday, August 10th, 2006 (Morning)	1998/1999 1999/2000 2000/2001	Deferred evidence.
National Water Conservation and Pipeline Corporation	Friday, August 11th, 2006 (Morning)	1999/2000 2000/01 2001/02	1, 2, 3, 4, 5, 6 1, 2, 3 1, 2, 3, 4, 5
Kenya Airports Authority	Tuesday, August 15th, 2006 (Morning)	2000/01 2001/02	1, 2, 3, 4, 5 1, 2
	Tuesday, August 15th, 2006 (Afternoon)	2002/03 2003/04	1, 2, 3 1, 2
Kenya Dairy Board	Wednesday, August 16th, 2006 (Morning)	1998/99 1999/2000 2000/01	1, 2 1, 2, 3, 4 1
Kenya Medical Training College	Wednesday, August 16th, 2006 (Afternoon)	1997/98 1998/99 1999/2000	1, 2, 3, 4 1, 2, 3, 4

	Tuesday, February 20th, 2007	1997/98	Deferred evidence
Kenya Reinsurance	Thursday, August 17th, 2006 (Morning)	2003/04 2004/05	Clean accounts 1, 2, 3
	Thursday, February 1st, 2007	2004/05	1, 2, 3
Kenya Broadcasting Corporation	Thursday August 17, 2006 (Afternoon)	1999/2000	1, 2, 3, 4
Kenya Sugar Board	Tuesday August 29th, 2006 (Morning)	2001/02 2002/03	Deferred evidence
	Thursday, February 8th, 2007	2001/02 2002/03	1, 2, 3, 4, 5
	Thursday, February 15th, 2007	2001/02 2002/03	1, 2, 3
Kenya Tourist Board	Tuesday August 29th, 2006 (Afternoon)	1999/2000 2000/01 2001/02 2002/03	Clean accounts Clean accounts
Kenya Medical Research Institute	Wednesday, August 30th, 2006 (Morning)	2000/01 2001/02 2002/03 2003/04	1, 2, 3 1, 2, 3 1
	Tuesday September 19th, 2006 (Afternoon)	2000/01 2003/04	1 1
	Wednesday, September 27th, 2006 (Morning)	2000/01 2003/04	1 1
	Thursday, October 12th, 2006	2000/01 2003/04	1, 3 1
	Thursday, February 22nd, 2007	2000/01 2003/04 2004/05	1 1 1, 2, 3, 4

	Thursday, May 24th, 2007	2005/2006	1, 2
	Wednesday, May 30th, 2007 (Afternoon)	2005/2006	1, 2
Kenya Railways Corporations	Wednesday, August 30th, 2006	1999/2000 2000/01	Deferred evidence
Kenya Post Office Savings Bank	Thursday, August 31st, 2006 (Morning)	2003/04	1, 2, 3
Kenya Tourist Development Corporation	Thursday, August 31st,. 2006 (Afternoon)	2000/01 2001/02	Deferred evidence
Kenya Utalii College	Tuesday, September 5th, 2006 (Morning)	1998/99 1999/2000	1, 2, 3, 4 1, 2
Lake Basin Development Authority	Tuesday, September 5th, 2006 (Afternoon)	1999/2000 2000/01 2001/02	1, 2, 3, 4
National Cereals and Produce Board	Wednesday, September 6th, 2006 (Morning)	1999/2000 2000/01 2001/02	1, 2, 3, 4
Agricultural Finance Corporation & Season Credit	Wednesday, September 6th, 2006 (Afternoon)	2000/01 2001/02 2002/03	1, 2, 3, 4 1, 2, 3, 4 2, 3, 4, 5
Kenya National Examination Council	Thursday, September 7th, 2006 (Morning)	2000/01 2001/02	1, 2 1, 2
Kenyatta National Hospital	Thursday, September 7th, 2006 (Afternoon)	1999/2000 2000/01 2001/02	Deferred evidence
National Aids Control Council	Tuesday, September 12th, 2006 (Morning)	2000/01 2001/02 2002/03	Deferred evidence
Kenya Institute of Administration	Tuesday, September 12th, 2006 (Afternoon)	1997/98 1998/99 1999/2000 2001/02	1 1, 2 1, 2

Kenya National Library Services	Wednesday, September 13th, 2006 (Morning)	1997/98 1998/99 1999/2000	1, 2 1, 2, 3 1, 2, 3
	Wednesday, February 21st, 2007	1999/2000 2000/01 2002/03	2 1, 2 1
Kenya Wildlife Service	Wednesday, September 13th, 2006 (Afternoon)	2000/01 2001/02 2002/03	1, 2 1 1, 2, 3, 4, 5
Maseno University College	Thursday, September 14th, 2006 (Morning)	1995/96 1996/97 1997/98 1998/99 1999/2000	1, 2 1, 2, 3, 4 1, 2, 3, 4
National Hospital Insurance Fund	Tuesday, September 19th, 2006 (Morning)	2003/04	Deferred evidence
	Tuesday, May 22nd, 2007 (Morning)	2003/04	1, 2, 3, 4, 5, 6
Nyayo Tea Zones Development Corporation	Wednesday, September 20th, 2006 (Morning)	1996/97 1997/98	2, 7, 8, 9, 10 4
Postal Corporation of Kenya	Wednesday, September 20th, 2006 (Afternoon)	2002/03 2003/04	Deferred evidence
Pyrethrum Board of Kenya	Thursday, September 21st, 2006 (Morning)	1997/98 1998/99 1999/2000	1, 2, 3, 4 3 1, 2
Tea Board of Kenya	Tuesday, September 26th, 2006 (Morning)	1997/98 1998/99 1999/2000	1, 2, 3 1 -------
	Wednesday, February 14th, 2007	1997/98 2000/01	3 1

University of Nairobi	Tuesday, September 26th, 2006 (Afternoon)	1999/2000 2000/01 2001/02	1, 2, 3, 4 1, 2 1, 2, 3
Investment Promotion Centre	Thursday, September 28th, 2006 (Morning)	1998/99 1999/2000 2000/01	1, 2, 3, 4, 5 1,2,3,4,5,6,7,8
	Wednesday, January 31st, 2007	1999/2000 2000/01 2001/02 2002/03	1, 6 1,2,3,4,5,6,7,8,9,10 1, 2, 3, 4 2
Export Processing Zone Authority	Thursday, September 28th, 2006	1999/2000 2000/01	1 1, 2
Kenya Forestry Research Institute	Tuesday, October 3rd, 2006 (Morning)	1998/99 1999/2000 2000/01	1 1, 2 1, 2
Kenya Pipeline Company	Friday, October 13th, 2006	1999/2000 2000/01	Deferred evidence
Safaricom Ltd	Tuesday, December 5th, 2006	2005/2006	
	Thursday, December 14th, 2006	2005/2006	Deferred evidence
	Thursday, January 30th, 2007	2005/2006	Deferred evidence
	Tuesday, February 27th, 2007	2005/2006	
KEPHIS	Wednesday, February 7th, 2007	1998/99 1999/2000 2000/01	 1, 2 1

* **Note: the above schedule of appearances does not include Committee meetings in which evidence was not taken or "in-house" sittings of the Committee.**

Appendix I

MINUTES OF THE SITTINGS OF THE PUBLIC INVESTMENTS COMMITTEE

MINUTES OF THE FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS ON TUESDAY, 20TH JUNE 2006 AT 10:30 A.M.

PRESENT:

The following Members of the Committee were present:-

The Hon. J.B.N. Muturi, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Hussein Maalim Mohamed, M.P.
The Hon. K.M. Sang, M.P.
The Hon. (Dr) Abdullahi Ibrahim Ali, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. Geoffrey Gachara Muchiri, M.P.

ABSENT WITH APOLOGY:

The Hon. Peter G. Munya, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. S. Ndindiri	-	Clerk of the National Assembly
Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S. J. Njoroge	-	Third Clerk Assistant.
Mr. Munga Wahome	-	Parliamentary Intern.

MIN. NO. 01/2006/2007: INTRODUCTORY REMARKS BY THE CLERK

The Clerk welcomed the Members present and congratulated them for being nominated into the Committee. He briefed them on the mandate, functions and the powers of the Committee citing Standing Order No. 148, the Exchequer and Audit Act, (Cap. 412), the State Corporations Act (Cap. 446), the Public Audit Act, 2003, and the National Assembly (Powers and Privileges) Act, (Cap. 6). He informed the Members that the Committee's fundamental role is to examine the working of public investments.

The Clerk noted that the Committee, according to Standing Order 148, is bound to conduct its work until commencement of next Session in February/March 2007.

MIN. NO. 02/2006/2007: ELECTION OF CHAIRMAN

Upon advising the Members on the parliamentary procedures and practice that govern the Committee, the Clerk conducted the proceedings for the Election of Chairman. On calling for nominees, Hon. J. B. N. Muturi, M.P. was proposed by Hon. Gitau Kabogo and seconded Hon. Jimmy Angwenyi, M.P. In the absence of any other nominee, Hon. J. B. N. Muturi, M.P. was declared unanimously elected Chairman.

MIN. NO. 03/2006/2007: REMARKS BY THE CHAIRMAN

Hon. J. B. N. Muturi, M.P. assumed the Chair and thanked the Members for expressing their faith and confidence in him by electing him the Chairman. He articulated that this was his fourth consecutive time as a Chairman. The Chairman pledged to serve the Committee with dedication, impartiality and diligence. He called upon Members to serve the Committee with devotion and zeal so as to tackle the exigent task ahead of them.

The Chairman noted that in the previous year, the Committee had often lacked quorum. However, he noted that more effort would have to be put during the next year as the Committee had more than 150 State Corporations to examine.

The Chairman also noted that the Committee's 13th Report and the Report on Importation of Sugar were also ready and would be tabled together.

The Chairman proposed the review of the relevant law to allow the Committee to be sitting alongside the House to enable it complete the outstanding backlog.

MIN. NO. 04/2006/2007: INTERNATIONAL TRIP

In view of the fact that the outgoing Committee had not undertaken its foreign trip as resolved by the Liaison Committee, the Committee resolved that there was need for it to conduct a Foreign Study Tour and be given priority this year.

The Clerk however noted that some countries have been reluctant to receive delegations from the Kenyan parliament.

MIN. NO. 05/2006/2007: PROGRAMME OF BUSINESS.

The Committee resolved to constrict its Business within the available time frame so as to clear the backlog of unexamined Accounts and Reports of the Controller and

Auditor-General for various State Corporations. Consequently, the Committee resolved to be holding its sittings throughout the week.

The Chairman informed the Members that the Corporations need to be given sufficient time preferably seven days to draw responses to Audit queries raised by the Controller and Auditor General prior to appearing before the Committee.

MIN. NO. 06/2006/2007: ANY OTHER BUSINESS

(i) Members expressed the need for training for members of the Committee. The Committee was informed that this would be taken care of during the annual Watchdog Committees Orientation workshop.

(ii) The Clerk encouraged members to realize quorum in time to avoid keeping witnesses for long periods of time.

(iii) The Committee was invited for the opening of Kenya Meat Commission in the afternoon.

MIN. NO. 07/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting at 12:30 p.m. to 200 p.m. this afternoon.

AFTERNOON SITTING

MINUTES OF THE PROCEEDINGS OF THE PUBLIC INVESTMENTS COMMITTEE ON AN INSPECTION VISIT OF THE KENYA MEAT COMMISSION – ATHI RIVER, ON TUESDAY, 20TH JUNE 2006 AT 1:00 P.M.

PRESENT:

The following Members of the Committee were present:-

The Hon. J.B.N. Muturi, M.P. - Chairman
The Hon. Jimmy Angwenyi, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Hussein Maalim Mohamed, M.P.
The Hon. K.M. Sang, M.P.
The Hon. (Dr) Abdullahi Ibrahim Ali, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. Gachara Muchiri, M.P.

ABSENT WITH APOLOGY:

The Hon. Peter G. Munya, M.P.
The Hon. Wafula Wamunyinyi, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S. J. Njoroge	-	Third Clerk Assistant.
Mr. Timothy Munga	-	Parliamentary Intern.

MINISTRY OF LIVESTOCK AND FISHERIES DEVELOPMENT

Mr. Martin Mwova	-	Secretary from the Ministry

KENYA MEAT COMMISSION

Mr. James Kimonye	-	Chief Executive
Mr. Mathias Mwova	-	General Manager

MIN. NO. 07/2006/2007- VISIT TO KENYA MEAT COMMISSION

The Committee toured the Kenya Meat Commission (KMC) facility at Athi River and upon arrival, held brief consultations with the Managing Commissioner, Mr. James Kimonye accompanied by the General Manager and the Company Secretary.

The Committee was informed that KMC was closed in 1992 for rehabilitation in order to conform to the EU Standards and could not re-open due to lack of investment capital and in 1998, it was put under receivership by the National Bank of Kenya, ho disposed of all its movable assets. The Committee was further informed that:-

- The Commission is currently recruiting personnel and the old staff have been identified to fill 106 skilled posts.
- Identification of obsolete machinery is on going with a view to replacing them.
- Most of the Commission's fixed assets are intact except for the Managing Commissioner's house, which was irregularly sold.

- Much of its Holding grounds were still intact except for part of Beacons Ranch, which are in private hands while the road reserve leading to the Athi River abattoir is currently occupied by private developers.

- KMC has already installed a canning line for canned beef, two ice plants for packing matumbo and one new boiler in addition to the two old boilers already in place.

- Arrangements were in place to revive other KMC facilities around the country especially the Kibarani Farm and Landhies Road Depot and also set up a satellite abattoir in some cattle rearing parts of the country in order to reduce on transportation costs and thereby access an easy market to the farmers.

- The Commission, in conjunction with the Governemnt is working out modalities of documenting all livestock countrywide to enable traceablity of all animals from birth to the slaughterhouses.

- The production unit is being computerised where a bar code will be put on every carcass (when it is on the hook) indicating information on supplier, grade and weight.

Arising out of the Committee recommendation in its 8th Report, that the Government makes good the debts and refinances the Commission, a cabinet paper was approved which recommended that Kshs.500 million be granted for rehabilitation of the facility and also gave an undertaking by the government to underwrite all the debts.

Members were conducted to a brief tour of the facility.

The Committee advised the Chief Executive to ensure that the Corporation is run in accordance with sound business principles and prudent commercial practices.

MIN. NO. 08/2006/2007: ADJOURNMENT

And there being no other business, Committee concluded the inspection visit at 3.30 p.m. to a later date.

Hon. J. B. N. Muturi, M.P.

Signed:.....
(Chairman)

10th August, 2006
Date:.....

MINUTES OF THE SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON MONDAY JUNE 26, 2006 AT 10:30 A.M.

PRESENT:

The following Members of the Committee were present:-

The Hon. J.B.N. Muturi, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. Geoffrey Gachara Muchiri, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. K.M. Sang, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Hussein Maalim, M.P.
The Hon. (Dr.)Abdullahi I. Ali, M.P.

ABSENT WITH APOLOGY:

The Hon. Peter G. Munya, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S. J. Njoroge	-	Third Clerk Assistant.
Mr. Timothy Munga	-	Parliamentary Intern.

MIN. NO. 09/2006/2007: PROGRAMME OF BUSINESS.

The Committee resolved to constrict its Business within the available time frame so as to clear the backlog of unexamined Accounts and Reports of the Controller and Auditor-General for various State Corporations. Consequently, the Committee resolved to be holding its sittings throughout the week.

The Committee further resolved to summon management of State Corporations, which have not tabled their accounts before the House in accordance with the Public Audit Act, 2003

The Committee further identified and prioritized several State Corporations whose Accounts and Reports of the Controller and Auditor General the Committee resolved to examine in its Programme of Business for the period July to December 2006.

The Secretariat was directed to draw up a draft programme of business for consideration by the Committee during its next sitting.

MIN. NO. 10/2006/2007: INDUCTION PROGRAMME

The Committee noted that during the last and current Sessions of the Parliament four new Members had been appointed to serve in the Committee. The Committee requested that a induction programme be organized for the Members in order to fully apprise them on their role, the financial workings of parastatals and the legal instruments guiding their operation as well as the mandate of the Committee. The Committee proposed that the induction to be held from 27th July to 1st August 2006 and the topics of discussion be:-

(i) Mandate, Powers and Role of Watchdog Committees - (Clerk of the National Assembly.

(ii) Lacunas in examining the Reports of the Controller and Auditor General by the Public Investments Committee - (Hon. J. B. Muturi, M.P.).

(iii) Oversight role of the Inspectorate of State Corporations. (Inspector-General, State Corporations).

(iv) Implementation status of recommendations of Public Investments Committee. (Investments Secretary).

(v) Is the Attorney General up to the task? Implementation of Public Investments Committee Reports, cases requiring prosecution- (Representative of the Attorney-General).

(vi) The Public Investments Committee in examining the Reports of the Controller and Auditor General: A critique (Controller and Auditor General).

(vii) Complementary roles of bodies charged with combating graft in Public Institutions (KACC).

(viii) The National Audit Office as a watchdog of public funds - (National Audit Office).

(ix) Government Shareholding and privatisation of state corporations (Investments Secretary).

(x) Supervision of State Corporations by parent Ministries (Chairman, State Corporations Advisory Committee).

MIN. NO. 11/2006/2007: INTERNATIONAL TRIP

In view of the fact that the outgoing Committee had not undertaken a foreign trip as resolved by the Liaison Committee, the Committee noted that there was need for it to conduct a Foreign Study Tour and that the matter be given priority this year.

Members expressed the desire to visit African countries by the end of the financial year to apprise itself on matters of Public Audit. The Committee resolved to form two groups one to visit Ghana, Cameroon, and Gambia, while the other group would visit Mauritius, Zambia and Botswana

MIN. NO. 12/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting at 12:30 p.m. until Tuesday , July 4, 2006 at 10:00 a.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....
(Chairman)

10th August, 2006
Date:.....

MINUTES OF THE THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON THURSDAY, JUNE 22, 2006 AT 3.30 P.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. - **(Chairman)**
The Hon. Gachara Muchiri, M.P.
The Hon. Ali Bahari, M.P.
The Hon. K.M. Sang, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr) Abdullahi I. Ali, M.P.
The Hon. M. Hussein Maalim, M.P.

ABSENT WITH APOLOGY

The Hon. Wafula Wamunyinyi, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. Samuel J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

CONTROLLER AND AUDITOR GENERAL

Mr. Sylvester N. Kiini	-	Deputy Director of Audit

MIN. NO. 13/2006/2007: CONFIRMATION OF MINUTES

The Minutes of the Committee's Fifth Sitting on consideration of Report of the Committee on Kenya Sugar Board held on Tuesday, March 7, 2006 were proposed by Hon. Gitau Kabogo, M.P., seconded by Hon. Gachara Muchiri as a true record of the proceedings of the Committee and signed by the Chairman.

MIN. NO. 14/2006/2007 CONSIDERATION OF REPORT OF THE COMMITTEE ON KENYA SUGAR BOARD-LOSS ON IMPORT AND EXPORT OF

SUGAR AND IMPORTATION OF SUGAR IMPORTATIONS PURSUANT TO LEGAL NOTICE NO. 2 OF JANUARY 13, 2006

The Committee considered the draft report on Kenya Sugar Board- Loss on Import And Export of Sugar And Importation of Sugar Importations Pursuant to Legal Notice No. 2 of January 13, 2006. The Report was adopted with amendments. The Committee mandated the Chairman to table the Report before the House on Tuesday, June 27, 2006 together with the Committee's 13th Report, Volumes I and II.

MIN. NO. 15/2006/2007: PROGRAMME OF BUSINESS

The Committee resolved to consider its programme of business for the period July to December 2006 on Thursday, June 29, 2006.

MIN. NO. 16/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting at 12.30 p.m. to a later date.

Hon. J. B. N. Muturi, M.P.

Signed:.....
(Chairman)

10th August, 2006

Date:.....

MINUTES OF THE FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON TUESDAY, JULY 25, 2006 AT 10:00 A.M.

PRESENT

The Hon. (Dr.) Sammy Rutto, M.P. **(Ag Chairman)**
The Hon. (Dr) Abdullahi I. Ali, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Gachara Muchiri, M.P.

ABSENT WITH APOLOGY

The Hon. Gitau Kabogo, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Ali Bahari, M.P.
The Hon. K.M. Sang, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Peter G. Munya, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Timothy Munga	-	Parliamentary Intern

MINISTRY OF FINANCE (DGIPE)

Mr. Kennedy Ondieki	-	Under Secretary

CONTROLLER AND AUDITOR GENERAL

Mr. Humphrey Wanyama	-	Director of Audit
Mr. Ochoa	-	Principal Auditor

MIN. NO. 17/2006/2007 EVIDENCE

Report and Accounts of the Capital Markets Authority and for the years 2003/2004 and 2004/2005 and the Certificates thereon by the Controller and Auditor General.

Edward H. Ntalami, Chief Executive accompanied by Messrs Joachim Githinji, Manager, Finance appeared before the Committee to give evidence on the Accounts of the Authority for the year 2003/2004 and 2004/2005.

MIN. NO. 18/2006/2007: PROCEDURE

The Committee observed with concern that it had not received all the necessary documents from the Corporation and thus deferred taking evidence to a later date.

MIN. NO. 19/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting at 11.00 a.m. until Thursday 27th July 2006 at 9.30 a.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....
(Chairman)

Date: **10th August, 2006**

MINUTES OF THE FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON THURSDAY, JULY 27, 2006 AT 10:30 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Ali Bahari, M.P.
The Hon. K.M. Sang, M.P.
The Hon. Peter G. Munya, M.P.

ABSENT WITH APOLOGY

The Hon. M. Hussein Maalim, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Wafula Wamunyinyi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Timothy Munga	-	Parliamentary Intern

MINISTRY OF FINANCE (DGIPE)

Mr. Anne Mwalonzi	-	Senior Accountant

CONTROLLER AND AUDITOR GENERAL

Mr. Humphrey Wanyama	-	Director of Audit
Mr. G.K Ndegwa	-	Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. E.M. Ngige	-	Senior Principal Inspector

MINISTRY OF AGRICULTURE

Mr. E.M. Gatuguta	-	Senior Deputy Director of Agriculture

MIN. NO. 20/2006/2007: EVIDENCE

Report and Accounts of the Chemelil Sugar Company Limited for the years 2003/2004, 2004/2005 and the Certificates thereon by Controller and Auditor General.

Prof. J.O. Nyabundi, Managing Director, Chemelil Sugar Company Limited, accompanied by Messrs B.C. Rotut, Financial Controller, Justice K. Kemei, Head of Marketing & Corporate Affairs and J.O. Mireri, Deputy Financial Controller/Management Accountant appeared before the Committee and gave evidence on the Accounts of Chemelil Sugar Company Limited for the years 2003/2004 and 2004/2005.

MIN. NO. 21/2006/2007: EVIDENCE 2003/2004 & 2004/2005 ACCOUNTS

The Committee heard the evidence given by the Chief Executive that the liquidity problem was a temporary phenomenon and that the Company expected an additional loan of Kshs. 95 million and was servicing all its debts in time

The Committee noted that as much as the directors viewed it as a temporary situation, the short fall had increased from 509,411,142 to over 517 million in the following year even though the company had realised profits of 58,302,457 in the year 2004/2005.

The Committee also noted that the same paragraph was raised in the year 2004/2005 and thus as a matter of procedure, it was considered as duly examined.

The Committee concluded taking evidence on the paragraph

MIN. NO. 22/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting at 12.00 p.m. to a later date.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

10th August, 2006

Date:.....

MINUTES OF THE SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON THURSDAY, AUGUST 3, 2006 AT 11:00 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Gitau Kabogo, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Gachara Muchiri, M.P.

ABSENT WITH APOLOGY

The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Ali Bahari, M.P.
The Hon. K.M. Sang, M.P.
The Hon. Peter G. Munya, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Timothy Munga	-	Parliamentary Intern

MINISTRY OF FINANCE (DGIPE)

Ms. L.W. Gitundu	-	Senior Accountant

CONTROLLER AND AUDITOR GENERAL

Mr. S.N. Kiini	-	Director of Audit
Mr. Paul G. Gichuki	-	Principal Auditor

MINISTRY OF EDUCATION

Ms. Alice Gichu	-	Chief Finance Officer

MIN. NO. 23/2006/2007: EVIDENCE

Report and Accounts of the Higher Education Loans Board for the years 1998/1999, 1999/2000, 2000/2001 and the Certificates thereon by Controller and Auditor General.

Mr. Benjamin C. Cheboi, Chief Executive, Higher Education Loans Board, accompanied by Ms. Mary Wachira, Financial Manager, appeared before the Committee and gave evidence on the Accounts of Higher Education Loans Board for the year 1998/1999, 1999/2000 and 2000/2001.

MIN. NO. 24/2006/2007: EVIDENCE 1998/1999, PARAGRAPH 1 MEMORANDUM OF UNDERSTANDING

The Committee heard the evidence given by the Chief Executive that the requisite handing over had been done and that the issue had been resolved.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 25/2006/2007: EVIDENCE 1998/1999, PARAGRAPH 2 SUSPENSE ACCOUNT

The Committee heard the evidence given by the Chief Executive that the suspense account had been reconciled and verified by the auditors

The Committee concluded taking evidence on the paragraph.

MIN. NO. 26/2006/2007: EVIDENCE 1999/2000, PARAGRAPH 1 SUSPENSE ACCOUNT

The Committee heard the evidence given by the Chief Executive that the handing over had been done and that the issue had been resolved.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 27/2006/2007: EVIDENCE 2000/2001, PARAGRAPH 1 SUSPENSE ACCOUNT

The Committee heard the evidence given by the Chief Executive that the handing over had been done and that the issue had been resolved.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 28/2006/2007: EVIDENCE: 2000/2001, PARAGRAPH 1 DEBTORS

The Committee concluded taking evidence on this paragraph.

MIN. NO. 29/2006/2007: ANY OTHER BUSINESS.

The Committee was briefed on the modalities of allocating Bursary and Loans to Students.

MIN. NO. 30/2006/2007: ADJOURNMENT.

And there being no other business, the Chairman adjourned the Sitting at 12.30 p.m. until Tuesday 8th August 2006.

Hon. J. B. N. Muturi, M.P.

Signed:.....
(Chairman)

10th August, 2006
Date:.....

MINUTES OF THE SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON THURSDAY, AUGUST 10, 2006 AT 9.50A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. - **(Chairman)**
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Ali Bahari, M.P.
The Hon. (Dr.) Sammy Rutto, M.P
The Hon. Peter G. Munya, M.P.
The Hon. K.M. Sang, M.P.

ABSENT WITH APOLOGY

The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern
Mr. Felix Ogutu	-	Parliamentary Intern

MINISTRY OF FINANCE (DGIPE)

Ms. L.W Gitundu	-	Senior Accountant

CONTROLLER AND AUDITOR GENERAL

Mr. David Njoka	-	Deputy Director of Audit
Mr. Ndegwa	-	Principal Auditor

MINISTRY OF INFORMATION AND COMMUNICATION

Mr. Felix Mugabe	-	Deputy Secretary

MIN. NO. 31/2006/2007: EVIDENCE

Report and Accounts of the Gilgil Telecommunications Industries Limited for the years 1998/1999, 1999/2000, 2000/2001 and the Certificates thereon by Controller and Auditor General.

Mr Albert Onyango, Acting Chief Executive, Gilgil Telecommunications Industries Limited (GTI), accompanied by Mr. Nicholas Obondo, Financial Manager, appeared before the Committee and gave evidence on the Accounts of Gilgil Telecommunications Industries Limited for the year 1998/1999, 1999/2000, 2000/2001.

MIN. NO. 32/2006/2007: DEFERMENT OF TAKING OF EVIDENCE

The Committee noted that the General Manager, Mr Albert Onyango, who was appointed by the Board, has been on acting capacity since April 2004.

Owing to the gravity of the matters raised by the Controller and Auditor General and the information that GTI is on the threshold of being privatised, the Committee deferred taking evidence on the Accounts of the Corporation for the years – 1998/1999,1999/2000, 2000/2001 until such other time when it will be represented by a substantive accounting officer.

MIN. NO. 33/2006/2007: CONFIRMATION OF MINUTES

The Minutes of the First to Sixth Sittings were confirmed by the members present and signed by the Chairman as follows:

(i) Minutes of the First Sitting held on Tuesday, June 20, 2006 were proposed by Hon Jimmy Angwenyi, M.P. and seconded by Hon.(Dr.) Sammy Rutto, M.P.

(ii) Minutes of the Second Sitting held on Tuesday, June 27, 2006 were proposed by Hon. Peter Munya, M.P and seconded by Hon. Hon Jimmy Angwenyi, M.P..

(iii) Minutes of the Third Sitting held on Wednesday, June 28, 2006 were proposed by Hon. Gachara Muchiri, M.P.. and seconded by Hon. Jimmy Angwenyi M.P.

(iv) Minutes of the Fourth Sitting held on Tuesday, July 25, 2006 were proposed by Hon. Hussein Maalim, M.P.., and seconded by Hon. (Dr.) Sammy Rutto M.P.

(v) Minutes of the Fifth Sitting held on Thursday, July 27, 2006 were proposed by Hon Ali Bahari, M.P.., and seconded by Hon. (Dr.) Sammy Rutto M.P.

(vi) Minutes of the Sixth Sitting held on Thursday, August 3, 2006 were proposed by Hon Ali Bahari, M.P.., and seconded by Hon. (Dr.) Sammy Rutto M.P.

MIN. NO. 34/2006/2007: MATTERS ARISING

The Committee deliberated on the issue of international visits and resolved that the secretariat considers the possibility of visiting Tanzania and Seychelles along with other countries as agreed during its Second Sitting namely Ghana, Cameroon, The Gambia, Mauritius, Zambia and Botswana

MIN. NO. 35/2006/2007: ADJOURNMENT.

And there being no other business, the Chairman adjourned the Sitting at 12.30 p.m. until Friday 11th August 2006.

Hon. J. B. N. Muturi, M.P.

Signed:.....
(Chairman)

5th October, 2006
Date:.....

MINUTES OF THE EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON FRIDAY, AUGUST 11, 2006 AT 9.45 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Gitau Kabogo, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Peter G. Munya, M.P.

ABSENT WITH APOLOGY

The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. K.M. Sang, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant

MINISTRY OF FINANCE (DGIPE)

Mr. Festus Kingori	-	Senior Assistant Secretary
Mr. W. N. Kingathia	-	Senior Principal Accountant

INSPECTORATE OF STATE CORPORATIONS

Ms. Joyce Wesonga	-	Senior Auditor

CONTROLLER AND AUDITOR GENERAL

Mr. S.N. Kiini	-	Deputy Director of Audit
Mr. C.N. Nyanyuki	-	Principal Auditor

MINISTRY OF WATER RESOURCE DEVELOPMENT AND MANAGEMENT

M.N. Musoma - Chief Finance Officer

MIN. NO. 36/2006/2007: EVIDENCE

Report and Accounts of the National Water Conservation and Pipeline Corporation for the years 1999/2000, 2000/2001 and 2001/2002 and the Certificates thereon by Controller and Auditor General.

Eng. J. V. Shikalo, Chief Executive, National Water Conservation and Pipeline Corporation, accompanied by Messrs J. K. Muchemi, Head of Construction; Eng. M.M. Saboke, Head of Planning and Design; Eng. J. K. Wainaina, Engineer; F. M. Githinji, Chief Accountant, Charles Karuru, Finance Manager and Patrick Onguso, Internal Auditor appeared before the Committee and gave evidence on the Accounts of the Corporation for the years, 1999/2000, 2000/2001 and 2001/2002.

MIN. NO. 37/2006/2007: EVIDENCE: 1999/2000 ACCOUNTS: PARAGRAPH 1 - FINANCIAL PERFORMANCE

The Committee heard that the Corporation has since put in place measures aimed at reducing the losses, which include controls on procurement of goods and services and enhancing the capacity of water supplies.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 38/2006/2007: EVIDENCE: PARAGRAPHS 2 AND 1 OF 1999/2000 AND 2000/2001 ACCOUNTS, RESPECTIVELY - WATER DEBTORS.

The Committee heard that, in line with government's policy and requirements of Water Act, 2002, the Corporation has handed over the management and operations of water supply schemes to the Regional Water Services Boards.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 39/2006/2007: EVIDENCE: PARAGRAPHS 3 of 1999/2000 AND 2000/2001 ACCOUNTS: - REPAYMENT OF LONG TERM LOAN.

The Committee heard that the government has been progressively paying the loan.

The Committee also heard that:-

(i) the Corporation has requested the government to convert the loan into equity to reduce the impact of increased tariff on the public; and

(ii) the loan which stood at Kshs. 202,486,478 in June 30, 1993 has since accumulated to Kshs. 18,459,830,269 in the year 2006.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 40/2006/2007: EVIDENCE: PARAGRAPHS 4 AND 2 OF 1999/2000 AND 2000/2001 ACCOUNTS, RESPECTIVELY - LAND AND BUILDINGS.

The Committee heard that the Corporation has since embarked on a rigorous exercise to acquire title deeds for all its plots and has title documents for 15 of the parcels, letters of allotment for 15 other parcels and that Part Development Plans for 12 of its parcels have been signed by the Ministry of Lands. Further, the following plots been irregularly allocated to third parties:-

(a)	Changamwe Reservoirs	- Abdillakim Abdalla
(b)	Shanzu Staff Quarters	- M/s. Doshi Iron Mongers Ltd.
(c)	Nyali Wells	- M/s. Comen Ltd.
(d)	Likoni	- Squatters

The Committee was informed that some of the above-mentioned persons and companies hold title documents to the parcels.

The Committee directed the Chief Executive to provide names of the directors of M/s. Comen Ltd and M/s. Doshi Iron Mongers Ltd and the exact reference numbers in respect of each parcel.

The Committee resolved to pay a visit to the above-mentioned sites on August 23, 2006 when it retreats for report writing.

The Committee concluded taking evidence on the paragraph save for the above-mentioned matter of the irregularly allocated parcels of land.

MIN. NO. 41/2006/2007: EVIDENCE 1999/2000 ACCOUNTS: PARAGRAPH 5- KALANZONI WATER SUPPLY PROJECT.

The Committee was informed that the Corporation undertook the electro-mechanical works, which was part of the contract, at a total cost of Kshs. 4 million and that the plant is currently fully operational.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 42/2006/2007: EVIDENCE 1999/2000 ACCOUNTS: PARAGRAPH 6- WATER DEPOSITS.

The Committee heard that the amount of Ksh. 1,926,530.00 noted as unexplained represented refunds made to consumers during the year under review and that the amount of Ksh. 5,800,000 owed by Jimba Credit Corporation (collapsed) was converted into investments and issued out as shares to depositors of Jimba Credit by Consolidated Bank Ltd.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 43/2006/2007: EVIDENCE: 2000/2001 ACCOUNTS: PARAGRAPH 2- FIXED ASSETS.

The Committee heard that the Corporation has since embarked on a rigorous exercise to acquire title deeds for all its plots and has title documents for 15 of the parcels, letters of allotment for 15 other parcels and that Part Development Plans for 12 of its parcels have been signed by the Ministry of Lands. Further, the following plots been irregularly allocated to third parties:-

(a)	Changamwe Reservoirs	- Abdillakim Abdalla
(b)	Shanzu Staff Quarters	- M/s. Doshi Iron Mongers Ltd.
(c)	Nyali Wells	-M/s. Comen Ltd.
(d)	Likoni	-Squatters

The Committee was informed some of the above-mentioned persons and companies have title documents to the parcels.

The Committee directed the Chief Executive to provide names of the directors of M/s. Comen Ltd and M/s. Doshi Iron Mongers Ltd and the exact reference numbers in respect of each parcel.

The Committee resolved to pay a visit to the above-mentioned sites on August 23, 2006 when it retreats for report writing.

Further, the Committee heard that the Corporation's Vehicles have been duly registered, while KAK 142 H (Nissan Pickup) and KZG 355 (Peugeot 504) were boarded and sold competitively.

The Committee also noted that the Corporation intends to offset the value of the household items valued at Ksh. 73,850.00 from the former Managing Director's (Dr. Daniel Punyua) terminal dues of Ksh. 253,100. Noting that this might be met by legal impediments and that the Chief Executive was scheduled to hold a meeting with Dr. Punyua in the following week, the Committee directed the Chief Executive to employ all means possible, including reporting the matter to the police to ensure that the amount is recovered.

The Committee concluded taking evidence on the paragraph save for the above-mentioned matter of the irregularly allocated parcels of land.

MIN. NO. 44/2006/2007: PROCEDURE: 2000/2002 ACCOUNTS: PARAGRAPHS 1, 2 AND 4

Noting that Paragraphs 1 (Capital Fund Account), 2 (Fixed Assets) and 4 (Water Debtors) of the 2001/2002 Accounts of the Corporation were similar to paragraphs 1 (Financial Performance), 3 (Payment of Long-term Loans) and 6 (Water Debtors) of 1999/2000 Accounts, the Committee resolved to treat the evidence as taken in the latter Accounts.

MIN. NO. 45/2006/2007: EVIDENCE: 2001/2002 ACCOUNTS: PARAGRAPH 3 - STATUTORY DEDUCTIONS.

The Committee was informed that the Corporation has paid all outstanding statutory deductions except for Employers Contribution toward Staff Pension Scheme, which has an outstanding balance of Ksh. 45 million as at May 30, 2006.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 46/2006/2007: EVIDENCE: 2001/2002 ACCOUNTS: PARAGRAPH 5 - CASH IN HAND.

The Committee was informed that the matter has since been reconciled and supporting documents forwarded to the Kenya National Audit Office for verification.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 47/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at 1.50 p.m. until Tuesday, August 15, 2006 at 9.30 a.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON TUESDAY, AUGUST 15TH, 2006 AT 10:00 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Wafula Wamunyinyi, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Ali Bahari, M.P.
The Hon. (Dr.) Sammy Rutto, M.P
The Hon. K.M. Sang, M.P.

ABSENT WITH APOLOGY

The Hon. Jimmy Angwenyi, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Peter G. Munya, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern
Mr. Felix H. O. Ogutu	-	Parliamentary Intern

CONTROLLER AND AUDITOR GENERAL

Mr. Hiram Wachira	-	Assistant Director of Audit
Mrs. Nancy Ngecu	-	Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. Gerald King'ori	-	Chief Inspector

MINISTRY OF FINANCE (DGIPE)

Mr. Festus Kingori	-	Senior Assistant Secretary

MINISTRY OF TRANSPORT

Mr. Charles N. Kimemia	- Ag. Director of Air Transport
Mr. G. G. Ikungu	- Chief Finance Officer
Mr. Joseph Mutuma	- Senior Principal Finance Officer
Mr. Michael Ndunda	- Senior Auditor

MIN. NO. 48/2006/2007: EVIDENCE

Report and Accounts of the Kenya Airports Authority Limited for the years 2000/2001, 2001/2002, 2002/2003, 2003/2004 and the Certificates thereon by Controller and Auditor General.

Mr George Muhoho, Managing Director, Kenya Airports Authority, accompanied by Messrs John Thumbi, General Manager Finance and John Tito Corporation Secretary appeared before the Committee and gave evidence on the Accounts of Kenya Airports Authority for the year 2000/2001, 2001/2002, 20002/2003, 2003/2004.

MIN.NO. 49/2006/2007: EVIDENCE: PARAGRAPH 1 OF 2000/2001 ACCOUNTS – FINANCIAL POSITION

The Committee heard that determination of the amounts owed to the Authority by Kenya Pipeline Corporation was done through arbitration, it was agreed that the payment be made through instalments. The counter claim by the KPC was to get a leverage so as to be able to bargain for these instalments.

The Committee concluded taking evidence on this paragraph

MIN. NO. 50/2006/2007: EVIDENCE: PARAGRAPH 2 OF 2000/2001 ACCOUNTS - T ERMS AND CONDITIONS OF SERVICE FOR MANAGING DIRECTOR AND DEPUTY MANAGING DIRECTOR.

The Committee noted that it had exhaustively addressed the matter of car allowance for Managing Director and Deputy Managing Director in its 13th Report.

The Committee concluded taking evidence on this paragraph

MIN. NO. 51/2006/2007: EVIDENCE: PARAGRAPH 3 OF 2000/2001 ACCOUNTS - COMPUTERIZATION PROJECT OF JKIA AND KAA HEADQUARTERS

The Committee concluded taking evidence on this paragraph.

MIN. NO. 52/2006/2007: **EVIDENCE: PARAGRAPH 4 OF 2000/2001 ACCOUNTS: PAYMENT OF COMPENSATION.**

The Committee concluded taking evidence on this paragraph.

MIN. NO. 53/2006/2007: **EVIDENCE: PARAGRAPH 5 OF 2000/2001 ACCOUNTS: AVOIDABLE EXPENDITURE**

The Committee heard the evidence given by the Chief Executive that the officers who were in office when contracts for rehabilitation and computerization were awarded were Mr. Peter Lagat and the Corporation Secretary Ms. Janet Ongera.

The Committee concluded taking evidence on this paragraph.

MIN. NO. 54/2006/2007: **EVIDENCE: PARAGRAPH 6 OF 2000/2001 ACCOUNTS: LEGAL FEES**

The Committee concluded taking evidence on this paragraph.

MIN. NO. 55/2006/2007: **EVIDENCE: PARAGRAPH 1 OF 2001/2002 ACCOUNTS - FINANCIAL POSITION**

The Committee concluded taking evidence on this paragraph

MIN. NO. 56/2006/2007: **EVIDENCE: PARAGRAPH 2 OF 2001/2002 ACCOUNTS - FIXED ASSETS.**

The Committee concluded taking evidence on this paragraph

MIN. NO. 57/2006/2007: **ADJOURNMENT**

And there being no other business, the Chairman adjourned the sitting at 1.50 p.m. until 3.00 p.m. this afternoon.

AFTERNOON SITTING.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Wafula Wamunyinyi, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Ali Bahari, M.P.
The Hon. (Dr.) Sammy Rutto, M.P
The Hon. K.M. Sang, M.P.

ABSENT WITH APOLOGY

The Hon. Jimmy Angwenyi, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Peter G. Munya, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern
Mr. Felix O. Ogutu	-	Parliamentary Intern

CONTROLLER AND AUDITOR GENERAL.

Mr. Hiram Waciira	-	Assistant Director of Audit
Mrs. Nancy Ngecu	-	Principal Auditor

INSPECTOR OF STATE CORPORATION

Gerald Mwangi	-	Chief Inspector

MINISTRY OF FINANCE (DGIPE)

Mr. Festus Kingori	-	Senior Assistant Secretary

MINISTRY OF TRANSPORT

Mr. Charles N. Kimemia	-	Ag. Director of Air Transport

Mr. G. G Ikungu	-Chief Finance Officer
Mr. Joseph Mutuma	-Senior Principal Finance Officer
Mr. Michael Ndunda	-Senior Auditor

MIN. NO. 58/2006/2007: **EVIDENCE: PARAGRAPH 1 OF 2002/2003 ACCOUNTS - FINANCIAL POSITION**

The Committee concluded taking evidence on this paragraph.

MIN. NO.59/2006/2007: **EVIDENCE: PARAGRAPH 2 OF 2002/2003 ACCOUNTS - FIXED ASSETS.**

The Committee concluded taking evidence on this paragraph

MIN. NO. 60 /2006/2007: **EVIDENCE: PARAGRAPH 3 OF 2002/2003 ACCOUNTS - NUGATORY PAYMENTS**

The Committee concluded taking evidence on this paragraph

MIN.NO: 61/2006/2007: **EVIDENCE: PARAGRAPH 1 OF 2003/2004 ACCOUNTS - LONG TERM LOAN.**

The Committee concluded taking evidence on this paragraph

MIN.NO 62/2006/2007: **EVIDENCE: PARAGRAPH 2 OF 2003/2004 ACCOUNTS - FIXED ASSETS**

The Committee concluded taking evidence on this paragraph

MIN. NO. 63/2006/2007: **ADJOURNMENT.**

And there being no other business, the Chairman adjourned the Sitting at 4.30 p.m. until Wednesday August 16, 2006 at 9.30 am.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE TENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON WEDNESDAY, AUGUST 16th 2006 AT 10:00 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Wafula Wamunyinyi, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Ali Bahari, M.P.
The Hon. (Dr.) Sammy Rutto, M.P
The Hon. Peter G. Munya, M.P.
The Hon. K.M. Sang, M.P.

ABSENT WITH APOLOGY

The Hon. Jimmy Angwenyi, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern
Mr. Felix H. O. Ogutu	-	Parliamentary Intern

CONTROLLER AND AUDITOR GENERAL

Mr. H. O. Wanyama	-	Director of Audit
Mrs. Marysalome N. Sesi	-	Deputy Director of Audit
Mr. J.J. W. Nganga	-	Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Ms. Joyce Wesonga		Senior Auditor

MINISTRY OF FINANCE (DGIPE)

Mr. Protus Sigei	-	Assistant Director

MINISTRY OF LIVESTOCK

Mr. R. Muse Wanasaki - Deputy Secretary/Alt. Director

MIN. NO. 64/2006/2007: EVIDENCE.

Report and Accounts of the Kenya Dairy Board for the years 1998/1999, 1999/2000, 2000/2001, and the Certificates thereon by Controller and Auditor General.

Mr. Machira Gichohi, Managing Director, Kenya Dairy Board, accompanied by Messrs Humprey Maina, Financial Manager and Emmanuel Njeru, Corporation Secretary appeared before the Committee and gave evidence on the Accounts of Kenya Dairy Board for the years 1998/1999, 1999/2000 and 2000/2001.

MIN. NO. 65/2006/2007: EVIDENCE: PARAGRAPH 1 OF 1998/1999 ACCOUNTS – FINANCIAL POSITION

The Committee heard the evidence given by the Chief Executive that the Board's financial position has since improved.

The Committee concluded taking evidence on the paragraph

MIN. NO 66/2006/2007: EVIDENCE: PARAGRAPH 2 OF 1998/1999 ACCOUNTS – STAFF PENSION FUND

The Committee heard the evidence given by the Chief Executive that the Board has since resolved the issue by transferring the funds to CFC Life where the Pension Funds earn interest.

The Committee concluded taking evidence on the paragraph

MIN.NO 67/2006/2007: EVIDENCE: PARAGRAPH 1 OF 1999/2000 ACCOUNTS – FINANCIAL POSITION

The Committee heard the evidence given by the Chief Executive that the financial position of the Board has since improved.

The Committee concluded taking evidence on the paragraph

MIN. NO 68/2006/2007: EVIDENCE: PARAGRAPH 2 OF 1999/2000 ACCOUNTS – LAND

The Committee heard the evidence given by the Chief Executive that the Board had since paid all outstanding fees to the Narok County Council for the said parcel of land.

The Committee directed the Chief Executive to expedite the matter of obtaining title documents for all the parcels of land deeds and provide evidence of such efforts in two weeks' time.

The Committee concluded taking evidence on the paragraph.

MIN NO. 69/2006/2007: EVIDENCE: PARAGRAPH 3 OF 1999/2000 ACCOUNTS – DEBTORS AND PREPAYMENT

The Committee heard the evidence given by the Chief Executive that the management recovered Ksh 3,951,594 leaving a balance of Ksh. 541,460 which would be recovered from the terminal dues of the staff debtors.

The Committee concluded taking evidence on the paragraph

MIN NO. 70/2006/2007: EVIDENCE: PARAGRAPH 4 OF 1999 / 2000 ACCOUNTS – UNSUPPORTED CLAIMS

The Committee directed the Chief Executive to:-

(i) expeditiously seek post facto authority from the State Corporations Advisory Committee on the matter of Kshs.1,329,764.90 paid to Members of the Board as allowances without approval of SCAC during the year 2000/2001; and

(ii) provide evidence that the then Chairman of the Board of Directors, Mr. Reuben Chesire visited the Board offices regularly to sign cheques and advise on other managerial issues hence the payment of Ksh. 612,802.60.

The Committee concluded taking evidence on the paragraph.

MIN NO. 71/2006/2007: PROCEDURE - 2000/2001 ACCOUNTS

Noting that the reservations raised by the Controller and Auditor General on the Accounts of the Board for the year ended 30th June, 2001 were similar to those of the previous year, the Committee resolved to treat the evidence on the accounts as heard and concluded.

MIN. NO.72/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at 12:45p.m. until 2.30 p.m. this afternoon.

AFTERNOON SITTING

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Wafula Wamunyinyi, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Ali Bahari, M.P.
The Hon. (Dr.) Sammy Rutto, M.P
The Hon. Peter G. Munya, M.P.

ABSENT WITH APOLOGY

The Hon. Jimmy Angwenyi, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. K.M. Sang, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern
Mr. Felix H. O. Ogutu	-	Parliamentary Intern

CONTROLLER AND AUDITOR GENERAL

Mr. H. O. Wanyama	-	Director of Audit
Mrs. Marysalome N. Sesi	-	Deputy Director of Audit
Mr. Charles Kiage	-	Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Mrs. Joyce Wesonga	-	Senior Auditor

MINISTRY OF FINANCE (DGIPE)

Mrs. Lucy Gitundu - Senior Accountant.

MINISTRY OF HEALTH

Mr. Joseph Meya - Deputy Secretary/Alt. Director

MIN. NO. 73/2006/2007: EVIDENCE

Report and Accounts of the Kenya Medical Training College for the years 1997/1998, 1998/1999, 1999/2000, and the Certificates thereon by Controller and Auditor General.

Dr. Timothy King'ondu, Director, Kenya Medical Training College, accompanied by Messrs. Dr. J. Maswan, Deputy Director; J.O. Ombayo Financial Manager, Silas E. Njiru, Procurement Manager and David O. Ondeng, Registrar Administration, appeared before the Committee and gave evidence on the Accounts of Kenya Medical Training Collage, for the year 1996/97, 1998/1999, 1999/2000, 2000/2001.

MIN. NO. 74/2006/2007: EVIDENCE: PARAGRAPH 1 OF 1997/1998 ACCOUNTS - FIXED ASSETS

The Committee noted that it had exhaustively deliberated on the matter of KMTC's land in its 12th Report, which has since been adopted by the House. In absence of explanation on the progress made to implement its recommendation, the Committee deferred taking evidence on the paragraph until 22nd of September 2006 at 9.30 a.m. when the Commissioner of Lands will be required to appear before it alongside the management of KMTC to give a progress report. The Committee also resolved that the Registrar of Companies appear before it to adduce evidence on the directors of the companies which were allocated the parcels of land.

MIN NO. 75/2006/2007: EVIDENCE: PARAGRAPH 2 OF 1997/1998 ACCOUNTS- PERIMETER WALL FENCING

The Committee concluded taking evidence on the paragraph.

MIN. NO. 76/2006/2007: EVIDENCE: PARAGRAPH 3 OF 1997/1998 ACCOUNTS - PURCHASE OF FOODSTUFF AT NAKURU MTC

The Committee concluded taking evidence on the paragraph.

MIN NO. 77/2006/2007: **EVIDENCE - PARAGRAPH 4 OF 1997/1998 ACCOUNTS: PARTITIONING ACOUSTIC PADDING AND PURCHASE OF FURNITURE.**

The Committee concluded taking evidence on the paragraph.

MIN. NO. 78/2006/2007: **EVIDENCE: PARAGRAPH 1 OF 1998/1999 ACCOUNTS: FIXED ASSETS.**

The Committee noted that it had exhaustively deliberated on the matter in its 12th Report which has since been adopted by the House. In absence of explanation on the progress made to implement its recommendation, the Committee deferred taking evidence on the paragraph until 22nd of September 2006 at 9.30 a.m. when the Commissioner of Lands will be required to appear before it alongside the management of KMTC to give a progress report. The Committee also resolved that the Registrar of Companies appear before it to adduce evidence on the directorship of the companies which were allocated the parcels of land.

MIN NO. 79/2006/2007: **EVIDENCE: PARAGRAPH 2 OF 1998/1999 ACCOUNTS: STALLED PROJECT AT KABARNET MTC.**

The Committee directed the Ministry to provide a report on the progress and status of the project by 22nd of September 2006.

The Committee concluded taking evidence on the paragraph.

MIN NO. 80/2006/2007: **EVIDENCE: PARAGRAPH 3 OF 1998/1999 ACCOUNTS- CASH AND BANK BALANCES**

The Committee concluded taking evidence on the paragraph.

MIN. NO. 81 /2006/2007: **EVIDENCE: PARAGRAPH 4 OF 1998/1999 ACCOUNTS: CREDITORS AND ACCRUALS.**

The Committee concluded taking evidence on the paragraph.

Further, the Committee deferred taking evidence on the Accounts of the College for the years ended 30th June 2000 and 2001 until September 22, 2006.

MIN. NO. 82/2006/2007: ADJOURNMENT.

And there being no other business, the Chairman adjourned the Sitting at 5.30 p.m. until Thursday, August 17, 2006.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE ELEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS ON THURSDAY, AUGUST 17TH 2006 AT 10:00 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Wafula Wamunyinyi, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Ali Bahari, M.P.
The Hon. (Dr.) Sammy Rutto, M.P
The Hon. Peter G. Munya, M.P.
The Hon. K.M. Sang, M.P.
The Hon. Gachara Muchiri, M.P.

ABSENT WITH APOLOGY

The Hon. Jimmy Angwenyi, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern
Mr. Felix H. O. Ogutu	-	Parliamentary Intern

CONTROLLER AND AUDITOR GENERAL

Mr Sylvester N. Kiini	-	Deputy Director of Audit
Mr. R. N. Bichanga	-	Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. David M. Gichuhi	-	Principal Inspector

MINISTRY OF FINANCE

Mrs. Anne M. Walonzi	-	Senior Accountant

MIN. NO. 83/2006/2007: **EVIDENCE**

Report and Accounts of the Kenya Reinsurance Corporation for the years 2003/2004, 2004/2005, and the Certificates thereon by Controller and Auditor General.

Mr. Johnston J. Githaka, Managing Director, Kenya Re-insurance, accompanied by Messrs John F. Kinyua, Director, Finance and Company Secretary and Michael Mbeshi; Director, Property & Investment appeared before the Committee and gave evidence on the Accounts of Kenya Reinsurance Corporation for the years 2003/2004 and 2004/2005.

MIN NO. 84/2006/2007: **EVIDENCE 2003/2004 ACCOUNTS**

While acknowledging that the Accounts of the Corporation for the year ended 31st December 2004 were clean accounts in that they did not have any reservations, the Committee noted that even though they were done by private auditors appointed by the Controller and Auditor General, the report was signed by private auditors contrary to the requirements of Public Audit Act, 2003.

MIN NO. 85/2006/2007: **EVIDENCE: PARAGRAPH 1 OF 2004/2005 ACCOUNTS: PUBLICATION OF FINANCIAL STATEMENTS**

The Committee noted that the Chief Executive in his response failed to address the issues raised by the Controller and Auditor General.

Further the Committee observed with concern that the Corporation, by publishing the financial statements without the Controller and Auditor General seal and signature, violated Public Audit Act, 2003.

Whilst observing the need of Kenya-Re to be allowed to be audited by external auditors (KPMG), the Committee in the circumstances resolved to defer taking evidence on the paragraph until Tuesday September 19, 2006 at 2.30 p.m. when the following persons will be required to appear before it with a view to forging a way forward:-

(i) Mr William Mayaka
(ii) Mr. Charles Ogalo, (Both of whom are directors of Kenya-Re, who signed the published financial statement)
(iii) Investments Secretary
(iv) Financial Secretary - Treasury
(v) Controller and Auditor General

MIN NO. 86/2006/2007: **EVIDENCE: PARAGRAPH 2 OF 2004/2005 ACCOUNTS: LOSSES ON SALE OF HOUSES.**

The Committee heard the evidence from the Chief Executive that the losses were occasioned by political pressure at the conception of the project.

The Committee concluded taking evidence on the paragraph.

MIN NO. 87/2006/2007: **EVIDENCE 2004/2005 ACCOUNTS: PARAGRAPH 3: COMPLIANCE WITH THE INSURANCE ACT.**

The Committee concluded taking evidence on the paragraph.

MIN. NO. 88/2006/2007: **ADJOURNMENT**

And there being no other business, the Chairman adjourned the sitting at 12.30 p.m. until 2.30 p.m. this afternoon.

AFTERNOON SITTING.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Wafula Wamunyinyi, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Ali Bahari, M.P.
The Hon. (Dr.) Sammy Rutto, M.P
The Hon. Peter G. Munya, M.P.
The Hon. K.M. Sang, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. Gachara Muchiri, M.P.

ABSENT WITH APOLOGY

The Hon. Jimmy Angwenyi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu - Senior Clerk Assistant

Mr. S.J. Njoroge - Third Clerk Assistant
Mr. Munga Wahome - Parliamentary Intern
Mr. Felix H. O. Ogutu - Parliamentary Intern

CONTROLLER AND AUDITOR GENERAL

Mr. Hiram Wachiira - Assistant Director of Audit
Mr Jack J. Otieno - Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. Titus Mureithi - Assistant Inspector General

MINISTRY OF FINANCE (DGIPE)

Mrs Lucy Gitundu - Senior Accountant
Ms. Eunice Muthamia - Senior Accountant

MIN. NO. 89/2006/2007: EVIDENCE

Report and Accounts of the Kenya Broadcasting Corporation for the year 1999/2000, and the Certificates thereon by Controller and Auditor General.

Mr. David W. Waweru, Managing Director, Kenya Broadcasting Corporation, accompanied by Messrs Zachary Ochako, Administrative Manager, Boniface M. Ikonze, Finance Manager; Musa Muthambi, Assistant Finance Manager and Hezekiah Oira, Corporation Secretary, appeared before the Committee and gave evidence on the Accounts of Kenya Broadcasting Corporation for the year, 2003/2004, 2004/2005.

MIN NO. 90/2006/2007: EVIDENCE: PARAGRAPH 1 OF 1999/2000 ACCOUNTS: FINANCIAL POSITION.

The Committee concluded taking evidence on the paragraph.

MIN NO. 91/2006/2007: EVIDENCE: PARAGRAPH 2 OF 1999/2000 ACCOUNTS - FIXED ASSETS.

The that KBC has since acquired title deeds for 12 parcels of land.

The Committee concluded taking evidence on the paragraph.

MIN NO. 92/2006/2007: EVIDENCE: PARAGRAPH 3 OF 1999/2000 ACCOUNTS - IRREGULAR PAYMENTS.

The Committee concluded taking evidence on the paragraph.

MIN NO. 93/2006/2007: EVIDENCE: PARAGRAPH 4 OF 1999/2000 ACCOUNTS - DEBTORS.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 94/2006/2007: ADJOURNMENT.

And there being no other business, the Chairman adjourned the Sitting at 5.00 p.m. until Thursday August 23, 2006.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE TWELFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON FRIDAY, AUGUST 18, 2006 AT 9.50 A.M.

PRESENT

The Hon. Ali Bahari, M.P. **(Ag. Chairman)**
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. (Dr.) Sammy Rutto, M.P
The Hon. K.M. Sang, M.P.

ABSENT WITH APOLOGY

The Hon. J.B.N. Muturi, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern
Mr. Felix Ogutu	-	Parliamentary Intern

MIN. NO. 95/2006/2007: CONFIRMATION OF MINUTES

Minutes of the Sixth Sitting held on Thursday, July 27, 2006 were proposed by Hon. (Dr.) Sammy Rutto, M.P., seconded by Hon. Wafula Wamunyinyi M.P, and signed by the Ag. Chairman.

MIN. NO. 96/2006/2007: ADJOURNMENT.

And there being no other business, the Chairman adjourned the Sitting at 12.30 p.m. to a later date.

Hon. J. B. N. Muturi, M.P.
Signed:.....
(Chairman)
5th October, 2006
Date:.....

MINUTES OF THE THIRTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN MOMBASA AT THE NATIONAL WATER CONSERVATION & PIPELINE CORPORATION AT SHANZU AND CHANGAMWE ON WEDNESDAY, AUGUST 23, 2006 AT 3.00 P.M.

PRESENT

Hon. J. B. N. Muturi, M.P. — **Chairman**
Hon. Jimmy Angwenyi, M.P.
Hon. Gachara Muchiri, M.P.
Hon. Ali Bahari, M.P.
Hon. Peter Munya, M.P.
Hon. Wafula Wamunyinyi, M.P.
Hon. Sammy Rutto, M.P.
Hon. Kipkorir Sang, M.P.
Hon. Gitau Kabogo
Hon. Hussein Maalim Mohamed, M.P.

ABSENT

Hon. (Dr.) Abdullahi Ali, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S. J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. Sylvester Kiini	-	Deputy Director of Audit
Mr. David Njoka	-	Deputy Director of Audit
Mr. Hiram Wachira	-	Assistant Director of Audit

TREASURY

Mr. Festus Kingori	-	Senior Assistant Secretary

MINISTRY OF WATER RESOURCE DEVELOPMENT AND MANAGEMENT

Ms. M. N. Musoma - Chief Finance Officer

MIN. NO. 97/2006/2007: EVIDENCE

Arising from its earlier resolution under MIN. NO. 96/2006/2007 and in connection with 1999/2000, 2000/2001 and 2001/2002 accounts of National Water Conservation and Pipeline Corporation, the Committee paid an inspection visit to the Corporation's plots at Shanzu Staff Quarters, Nyali Wells and Changamwe.

The Chief Executive Officer, Eng. J. V. Shikalo, National Water Conservation and Pipeline Corporation accompanied by J. K. Muchemi, Head of Construction; Eng. M.M. Saboke, Head of Planning and Design; Eng. J. K. Wainaina, Engineer; F. M. Githinji, Chief Accountant, Charles Karuru, Finance Manager and Patrick Onguso, Internal Auditor, took the members round the plots in Shanzu, Nyali Wells and Changamwe, which had been allocated to private developers.

MIN. NO. 98/2006/2007: EVIDENCE: PARAGRAPHS 4 AND 2 OF 1999/2000 AND 2000/2001 ACCOUNTS, RESPECTIVELY - LAND AND BUILDINGS.

The Committee visited the sites as follows :-

SHANZU STAFF QUARTERS

The Committee was informed that part of the land which the staff quarters lie has been hived off and allocated to M/s. Dim Agencies Limited, and M/s. Doshi Iron Mongers (whose directors has not been established) and Arora Properties Ltd whose directors are Messrs Mohamed Abdulla Mohamed and Abhajin Abdulla Mohamed.

The Committee observed that the corporation's staff were still in occupation of the houses.

NYALI WELLS

There after the Committee toured the Nyali Wells and was informed that a portion of the land had been allocated to Alphonsa Investments L.t.d.

The Committee observed that the allottee had already put up a stonewall around the property, though it was partly complete.

CHANGAMWE RESERVOIRS

The Committee toured Changamwe Reservoirs where two parcels were hived off and allocated to Abdul Hakim Abdalla.

The Committee was informed that due to the allocation, the corporation was incapacitated in that plans to construct an additional reservoir may not materialise as the land allocated was meant for the project.

The Committee observed that the are located on high ground to facilitate pumping / distribution of water to Mombasa town.

The Committee directed the management to:-

(i) avail the Committee the names of Directors of M/s. Dim Agencies L.t.d., M/s. Doshi Iron Mongers, and M/s. Alphonsa Investments L.t.d;

(ii) fence all its land including those already illegally allocated; and

(iii) place caveat on all its disputed plots.

MIN. NO. 99/2006/2007: ADJOURNMENT.

And the time being 6.30 p.m. the Committee concluded the visit and travelled back to the Hotel

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE FOURTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON TUESDAY, AUGUST 29, 2006 AT 9.45 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Gitau Kabogo, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Ali Bahari, M.P.
The Hon. K.M. Sang, M.P.

ABSENT WITH APOLOGY

The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Peter G. Munya, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

INSPECTORATE OF STATE CORPORATIONS

Mr. T.K. Gichana	-	Principal Inspector

CONTROLLER AND AUDITOR GENERAL

Mr. S.N Kiini	-	Deputy Director Auditor
Mr. C.N. Nyanyuki	-	Principal Auditor

MINISTRY OF AGRICULTURE

Mr. Ondanje G.B	-	Deputy Director of Tourism

MIN. NO. 100/2006/2007: EVIDENCE

Report and Accounts of the Kenya Sugar Board for the years 2001/2002 and 2002/2003 and the Certificates thereon by Controller and Auditor General.

Mr. A. O. Otieno, Chief Executive, Kenya Sugar Board, accompanied by Messrs J. Makeni, Head of Finance and R. Mkok, Company Secretary; appeared before the Committee and gave evidence on the Accounts of the Board for the years, 2001/2002 and 2002/2003.

MIN. NO. 101 /2006/2007: PROCEDURAL MATTER

The Committee noted that the responses submitted by the Chief Executive failed to address the audit reservations raised by the Controller and Auditor General. Consequently the Committee deferred taking evidence on the accounts to a later date.

MIN. NO. 102 /2006/2007: MATTERS ARISING.

The Committee revisited its recommendations in its 14th Draft Report on financing arrangements with Triple A Capital Ltd. It was agreed that the report be amended to capture the fact that the then Minister for Finance assumed that KPC was indebted to Triple A as the time of approving the financing.

Further, the Committee revisited Paragraph 5 of the Accounts of Kenya Pipeline Corporation for the year ended June 30, 2003 as contained in its 14th Draft Report. It was greed that Hon. William Ruto, M.P. be given an opportunity to give evidence on the Paragraph, before the Committee concludes its report.

MIN. NO. 103/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at 11.50 a.m. until 2.30 p.m. this afternoon.

AFTERNOON SITTING

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Gitau Kabogo, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Ali Bahari, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. K.M. Sang, M.P.
The Hon. Peter G. Munya, M.P.

ABSENT WITH APOLOGY

The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. M. Hussein Maalim, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

MINISTRY OF FINANCE (DGIPE)

Mr. Stephen Ikikii	-	Chief Economist
Mr. James Tuamwari	-	Economist

INSPECTORATE OF STATE CORPORATIONS

Mr. David M. Gichuhi	-	Principal Inspector

CONTROLLER AND AUDITOR GENERAL

Mr. H. O. Wanyama	-	Director of Audit
Ms. Marysalome Sesi	-	Deputy Director of Audit
Mr. K.N. Oenga	-	Senior Auditor

MINISTRY OF TOURISM AND WILDLIFE

Mr. N. Kiarie	-	Senior Accountant
Mrs Wanjiru M. Munene	-	Director of Tourism

MIN. NO. 104/2006/2007: **EVIDENCE:**

Report and Accounts of the Kenya Tourist Board for the years 1999/2000, 2000/2001, 2001/2002 and 2002/2003 and the Certificates thereon by the Controller and Auditor General.

Dr. Ongong'a Achieng, Chief Executive, Kenya Tourist Board accompanied by Messrs Michael Opondo, Head of Marketing; James M. Kilonzo, Head of Finance;

appeared before the Committee and gave evidence on the Accounts of the Board for the years, 1999/2000, 2000/2001, 2001/2002 and 2002/2003.

MIN. NO. 105/2006/2007: CLEAN ACCOUNTS

The Committee noted that 2000/2001- 2001/2002 were clean accounts.

MIN. NO.106/2006/2007: EVIDENCE: 2002/2003 ACCOUNTS FINANCIAL POSITION

The Committee heard that as a matter of urgent concern, the Board has embarked on Tourism Market Recovery Plan 2003/2004 in order to address the challenges occasioned by negative publicity in the West, thereby abandoning the Tourism Marketing Repositioning Project which was donor funded, the situation has since been addressed.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 107/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at 5.30 p.m. until Wednesday, August 30, 2006 at 9.30 a.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE FIFTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON WEDNESDAY, AUGUST 30, 2006 AT 9.45 A.M.

PRESENT

The Hon. Ali Bahari, M.P. - **(Ag Chairman)**
The Hon. M. Hussein Maalim, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. K.M. Sang, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Jimmy Angwenyi, M.P.

ABSENT WITH APOLOGY

The Hon. Gachara Muchiri, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. J.B.N. Muturi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

MINISTRY OF FINANCE (DGIPE)

Mr. j. K. Munge	-	Accountant I

CONTROLLER AND AUDITOR GENERAL

Mr. H. O. Wanyama	-	Director of Audit
Ms Marysalome Sesi	-	Deputy Director of Audit
Mr. A. T. Ouko	-	Assistant Director of Audit
Mr.. C.O. Kiage	-	Principal Auditor

MIN. NO. 108/2006/2007: EVIDENCE

Report and Accounts of the Kenya Medical Research Institute for the years 2000/2001, 2001/2002 and 2002/2003 and the Certificates thereon by the Controller and Auditor General.

Dr. Davy Koech, Chief Executive, Kenya Medical Research Institute accompanied by Messrs, Evans M. Murayi, Chief Finance Officer and R. A Kirui, Assistant Director (Finance); appeared before the Committee and gave evidence on the Accounts of the Institute for the years, 2000/2001,2001/2002 and 2002/2003

MIN. NO. 109/2006/2007: DEFERRED EVIDENCE: PARAGRAPH 1 OF 2000/2001 ACCOUNTS - STAFF HOUSING PROJECT and 2003/2004 ACCOUNTS - RESIDENTIAL STAFF HOUSING

The Committee heard that funds held by the lawyers amounting to Kshs.93,704,800 was refunded to the Institute and retained for utilization towards completion of the project and that the project has been frustrated due to failure by the National Bank of Kenya to release the title documents.

Noting that it had exhaustively deliberated on the matter of Staff Housing Project in its 12th Report which has since been adopted by the House, the Committee observed with concern that its recommendations therein have not been acted upon.

In the circumstances, the Committee deferred taking evidence on the paragraph until Tuesday, September 19, 2006 at 2.30 p.m. when the following persons will be required to appear before it to give evidence on the matter to the extent of the recommendations of the Committee in its 12th Report:-

(a) The Permanent Secretary, Ministry of Health,
(b) The Permanent Secretary, Ministry of Finance; and
(c) The Commissioner of Police.

MIN. NO. 110/2006/2007: EVIDENCE: PARAGRAPH 2 OF 2000/2001 ACCOUNTS - PENSION SCHEME CONTRIBUTIONS.

The Committee heard that following the recompilation of the premiums, the amounts due was adjusted to Kshs.101,807,738.80 from Kshs. 97,930,600.00 of which Kshs.67,656,698.00 has since been received from Kenya National Assurance (2001) Ltd and that the company has undertaken to sell off some property to defray the balance of Kshs.34,151,040.65

The Committee concluded taking evidence on the paragraph.

MIN. NO. 111/2006/2007: EVIDENCE: PARAGRAPH 3 OF 2000/2001 ACCOUNTS - ABANDONED PROJECT

The Committee heard that due to prolonged delays in financing the project, KEMRI and KETRI agreed to split the project. KEMRI took possession of 8 units. Efforts by KEMRI to obtain funding of Kshs. 45 Million from Treasury to complete the units has been unsuccessful following a freeze on funding of State Corporations.

The Committee resolved that the Permanent Secretary, Ministry of Finance; would give evidence on the same when he appears before the Committee on 19th September 2006 at 2:30pm

The Committee concluded taking evidence on the paragraph.

MIN. NO. 112/2006/2007: EVIDENCE: PARAGRAPH 1 OF 2001/2002 ACCOUNTS - PENSION SCHEME CONTRIBUTIONS.

The Committee heard that following the recompilation of the premiums, the amount due was adjusted to Ksh. 101,807,738.80 from Kshs. 97,930,600.00 of which Kshs. 67,656,698.00 has since been received from Kenya National Assurance (2001) Ltd and that the company has undertaken to sell off some property to defray the balance of Kshs. 34,151,040.65.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 113/2006/2007: EVIDENCE: PARAGRAPH 2 OF 2001/2002 ACCOUNTS - ABANDONED PROJECT.

The Committee heard that due to prolonged delays in financing the project, KEMRI and KETRI agreed to split the project. KEMRI took possession of 8 units. Efforts by KEMRI to obtain funding of Kshs. 45 Million from Treasury to finish the units has been unsuccessful following a freeze on funding of State Corporations.

The Committee resolved that the Permanent Secretary, Ministry of Finance would be required to give evidence on the same when he appears before the Committee on 19th September 2006 at 2:30 pm

The Committee concluded taking evidence on the paragraph.

MIN. NO. 114/2006/2007: EVIDENCE: PARAGRAPH 3 OF 2001/2002 ACCOUNTS - IRREGULAR IMPLEMENTATION OF HOUSE ALLOWANCE.

The Committee heard that officers receiving such allowances while outside Nairobi retained their Nairobi residences and only moved to various stations due to research duties which involved frequent travels hence qualified to enjoy the Nairobi House allowance rates which the Board approved.

Save for the Chief Executive providing a copy of the minutes of the Board approving the House allowance and the correspondence to the Parent Ministry, the Committee concluded taking evidence on the paragraph.

MIN. NO. 115/2006/2007: EVIDENCE: 2002/2003 ACCOUNTS - FIXED ASSETS

The Committee heard that the project for construction of Kisumu Headquarters was undertaken by US government as a grant and the cost of the project had not been availed by the financiers at the time of audit. The value of the property which currently stands at US$ 7,687,771.40, has since been incorporated in the Corporation's books of accounts for 2005/2006

The Committee concluded taking evidence on the paragraph.

MIN. NO. 116/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at 12.30 p.m. until 2.30 p.m. this afternoon.

AFTERNOON SITTING.

PRESENT

The Hon. Ali Bahari, M.P. **(Ag Chairman)**
The Hon. M. Hussein Maalim, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. K.M. Sang, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Jimmy Angwenyi, M.P.

ABSENT WITH APOLOGY

The Hon. Gachara Muchiri, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. J.B.N. Muturi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

MINISTRY OF FINANCE (DGIPE)

Ms. Truphenah C. Mokaya	-	Deputy Chief Economist

CONTROLLER AND AUDITOR GENERAL

Mr. David Njoka	-	Director of Audit
Mr. Aaron Ouko	-	Assistant Director of Audit
Mr. Njoroge Wirima.	-	Principal Auditor

MINISTRY OF TRANSPORT

Mr. Elijah T. Nduati	-	Deputy Secretary
Mr. Joseph Mutuma	-	Senior Principal Finance Officer
Mr. James Mutiso	-	Accountant

MIN. NO. 117/2006/2007: EVIDENCE

Report and Accounts of the Kenya Railways Corporation for the years 1999/2000 and 2000/2001 and the Certificates thereon by Controller and Auditor General.

Eng. Vitalis A. Ong'ong'o, Ag. Chief Executive, Kenya Railways, accompanied by Messrs: Rodgers Washika; Chief Internal Auditor, Wesonga Asina, Ag Chief Accountant, Charles Nyamai General Manage (Finance), Stephen Nguyo; Ag. Management Accountant and L.K Gitau, Ag Estates Manager; appeared before the Committee and gave evidence on the Accounts of the Corporation for the years 1999/2000 and 2000/2001.

MIN. NO. 118/2006/2007: PROCEDURE

The Committee noted that the Managing Director Eng. Vitalis A. Ong'ong'o was on acting capacity. Owing to the gravity of the matters raised by the Controller and Auditor General and the fact that the acting Chief Executive may not be held responsible for evidence adduced, the Committee deferred taking evidence on the Accounts.

Further, the Committee was concerned that the parent Ministry had failed to appoint a substantive Chief Executive for the Corporation for a period of over 24 months. The Committee directed the Secretariat to write to the relevant authority communicating the concern of the Committee.

MIN. NO. 119/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at 10.30 a.m. until Thursday August 31, 2006 at 9.30 a.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE SIXTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON THURSDAY, AUGUST 31, 2006 AT 9:45A.M.

PRESENT

The Hon. Ali Bahari, M.P. **(Ag. Chairman)**
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. K.M. Sang, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Gachara Muchiri, M.P.

ABSENT WITH APOLOGY

The Hon. Peter G. Munya, M.P.
The Hon. J.B.N. Muturi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

MINISTRY OF FINANCE

Mr. Stephen Ikikii	-	Economist

KENYA NATIONAL AUDIT OFFICE

Mr. David M. Njoka	-	Deputy Director of Audit
Mr. Aaron Ouko	-	Assistant Director of Audit
Mr. Peter M. Ndegwa	-	Senior Auditor

MIN. NO. 120/2006/2007: EVIDENCE

Report and Accounts of the Kenya Post Office Savings Bank for the years 2000/2001 and 2001/2002 and the Certificates thereon by the Controller and Auditor General.

Ms. Nyambura Koigi, Chief Executive Officer, Post Bank, accompanied by Messrs; Mwenda Kinyua, Legal Officer; Agnes Odhiambo, Director, Finance and Administration; Sammy Muriu, Manager, Card Services and Titus N. Gatumo, Senior Manager, Finance appeared before the Committee and gave evidence on Accounts of the year ended December 31st, 2003 for the Bank.

MIN. NO.121/2006/2007: EVIDENCE: PARAGRAPH 1 OF 2003 ACCOUNTS: LATE SUBMISSION OF FINANCIAL STATEMENTS

The Committee heard that the Corporation failed to submit their accounts for audit within the time limit as required by the Exchequer and Audit Act but the situation has since been rectified and accounts are submitted promptly.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 122/2006/2007: EVIDENCE: PARAGRAPH 2 OF 2003 ACCOUNTS - DEBTORS

The Committee heard that by August 23, 2006, Kshs.485, 502,771.00 had been collected from debtors.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 123/2006/2007: EVIDENCE: PARAGRAPH 3 OF 2003 ACCOUNTS - DEFERRED ASSET

While noting that the Kenya Post Office Savings Act would appear to have been inadequate in that it created a provision for "reimbursing losses" made by the Bank from the Consolidated Fund, the Committee noted that the Ministry of Finance had advised that there was need to amend the Act to provide that such reimbursements should not be made on cases where losses are occasioned by non-commercial activities carried out by the Bank.

The Committee resolved to raise this matter with the Attorney General and the Permanent Secretary, Treasury at an appropriate time.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 124/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at 11.20 a.m. until 2.30 p.m. this afternoon.

AFTERNOON SITTING

PRESENT

The Hon. Ali Bahari, M.P. **(Ag. Chairman)**
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. K.M. Sang, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Gitau Kabogo, M.P.

ABSENT WITH APOLOGY

The Hon. Peter G. Munya, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Wafula Wamunyinyi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

MINISTRY OF FINANCE (DGIPE)

Mr. J.B Mwangi	-	Acting Director IT
Mr. F.W King'ori	-	Senior Assistant Secretary (DGIPE)

MINISTRY OF TOURISM AND WILDLIFE

Ms. Wanjiru Makanga Munene	-	Director of Tourism-alternate to PS

KENYA NATIONAL AUDIT OFFICE

Mr. H.O Wanyama	-	Deputy Director of Audit
Mr. K.N Oenga	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. Philip M. Nyingi - Inspector II

MIN. NO. 125/2006/2007: EVIDENCE

Report and Accounts of the Kenya Tourist Development Corporation for the years 2000/2001 and 2001/2002 and the Certificates thereon by the Controller and Auditor General.

Mr. Obondo Kajumbi, Ag. Managing Director, Kenya Tourism Development Corporation accompanied by Messrs: Hassan Kiage, Finance Manager; Jane Ikiunga Kyaka, Corporation Secretary, Abraham Muthogo; Loans Manager and Nguli Juliana, Human Resources and Administration Manager; appeared before the Committee and gave evidence on Accounts of 2000/2001 and 2001/2001 of the Corporation.

MIN. NO. 126/2006/2007: PROCEDURE.

The Committee noted that the Managing Director Mr. Obondo was on acting capacity. Owing to the gravity of the matters raised by the Controller and Auditor General and the fact that the acting Chief Executive may not be held responsible for evidence adduced, the Committee deferred taking evidence on the Accounts.

Further, the Committee was concerned by the failure of the parent Ministry and the Board to appoint a substantive Chief Executive for the Corporation. The Committee directed the Secretariat to write to the relevant authority communicating the concern of the Committee.

MIN. NO. 127/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at 3.00 p.m. until Tuesday, September 5, 2006 at 9:30 a.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE SEVENTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON TUESDAY, SEPTEMBER 5, 2006 AT 9:45 A.M.

PRESENT

The Hon. K.M. Sang, M.P. **(Ag. Chairman)**
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Gachara Muchiri, M.P.

ABSENT WITH APOLOGY

The Hon. Peter G. Munya, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Gitau Kabogo, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. Joseph Karua	-	Director of Audit
Mr. Aaron Ouko	-	Assistant Director of Audit
Mr. Romanus Ochieng	-	Senior Auditor

MINISTRY OF TOURISM

Mr. James M. O'maroro	-	Chief Economist

MIN. NO. 128/2006/2007: EVIDENCE

Report and Accounts of the Kenya Utalii College for the years 1998/1999 and 1999/2000 and the Certificates thereon by the Controller and Auditor General.

Mr. P.E Mwaisaka, Chief Executive, Kenya Utalii College, accompanied by Messrs; T.S Dudah, Deputy Principal and D.W Mwangi, Financial Controller, appeared before the Committee and gave evidence on Accounts of 1998/1999, 1999/2000 of the College..

MIN. NO. 129/2006/2007: EVIDENCE: PARAGRAPH 1 OF 1998/1999 ACCOUNTS – OVERSTATEMENT OF INCOME.

The Committee heard that the overstatement was corrected in the accounts for the year 1999/2000 and verified by the Controller and Auditor General.

The Committee concluded taking evidence on the paragraph.

MIN. NO.130/2006/2007: EVIDENCE: PARAGRAPH 2 OF 1998/1999 ACCOUNTS – DEBTORS, DEPOSITS AND SPECIAL ACCOUNTS

The Committee heard that the overstatement of Kshs. 97,398,000.00 in the accounts has since been corrected and verified by Controller and Auditor General.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 131/2006/2007: EVIDENCE: PARAGRAPH 3 OF 1998/1999 and 1999/2000 ACCOUNTS – FIXED ASSETS

The Committee directed the Chief Executive to provide information on the size and status of land parcel L.R No 20766 on which the Kenya Utalii College stands.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 132/2006/2007: EVIDENCE: PARAGRAPH 4 OF 1998/1999 ACCOUNTS – IRREGULAR PAYMENTS OF SITTING ALLOWANCES

The Committee heard that sitting allowance of the public officers was stopped when the matter was brought to their attention and reinstated when the said payments were approved in 2002.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 133/2006/2007: EVIDENCE: PARAGRAPH 1 OF 1999/2000 ACCOUNTS – FINANCIAL PERFORMANCE

The Committee heard that the College had requested the Government to convert the loan amounting to Kshs. 21,026,836.00 to a grant or write it off. Further, the Ministries of Finance and Tourism & Wildlife have prepared a Joint Cabinet Memorandum requesting for the same.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 134/2006/2007: EVIDENCE: PARAGRAPH 2 OF 1999/2000 ACCOUNTS – LOAN FROM THE GOVERNMENT OF KENYA.

The Committee heard that the College failed to repay a government loan of Kshs. 140 million due to cash flow problems.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 135/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at 12.20 p.m. until 2.30 p.m. this afternoon.

AFTERNOON SITTING

PRESENT

The Hon. K.M. Sang, M.P. **(Ag. Chairman)**
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Gachara Muchiri, M.P.

ABSENT WITH APOLOGY

The Hon. Peter G. Munya, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Gitau Kabogo, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. Joseph Karua	-	Director of Audit
Mr. Geoffrey Ndegwa	-	Principal Auditor

MINISTRY OF FINANCE

Ms. Anne Mwalonzi	-	Senior Accountant

MINISTRY OF REGIONAL DEVELOPMENT AUTHORITY

Ms. David N. Onyosi	-	Under secretary

MIN. NO. 136/2006/2007: EVIDENCE

Report and Accounts of the Lake Basin Development Authority for the years 1999/2000, 2000/2001 and 2001/2002 and the Certificates thereon by the Controller and Auditor General.

Mr. Ferdinard K. Wanyonyi, Chief Executive, Lake Basin Development Authority, accompanied by Messrs; Benson Lubanda, Chief Finance Officer and Kengara Robert, Accountant, appeared before the Committee and gave evidence on Accounts of 1999/2000, 2000/2001 and 2001/2002 of the Authority.

MIN. NO. 137/2006/2007: EVIDENCE: PARAGRAPH 1 OF 1999/2000 ACCOUNTS – FINANCIAL POSITION

The Committee heard that interest accruing on unpaid overdraft of Kshs. 3,000,000 for a period of 12 months from National Bank of Kenya in 1984 amounted to Ksh. 190,983,046 as at the time of audit. The Committee noted that since the amount which has been paid by the Authority exceeds the principal, the Authority has been negotiating with the Bank with a view to having the debt written off.

The Committee concluded taking the evidence on the paragraph.

MIN. NO. 138/2006/2007: EVIDENCE: PARAGRAPH 2 OF 1999/2000 ACCOUNTS – FIXED ASSETS.

The Committee heard that the Authority has initiated the process of acquiring title documents for all its parcels of land.

The Committee directed that the Chief Executive provides:-

(i) a schedule of all parcels of land owned by the Authority indicating their size and status; and

(ii) details and supporting documents for the parcel of land which was said to have been allocated to third parties at Muhoroni LMC (324 acres) in two weeks time.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 139/2006/2007: EVIDENCE: PARAGRAPH 3 OF 1999/2000 ACCOUNTS – CONTINGENT LIABILITIES

The Committee heard that the authority has been unable to settle outstanding claims totalling Kshs.51,863,391 and has since forwarded them to Treasury for payment since the Government grants are inadequate to settle them.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 140/2006/2007: EVIDENCE: PARAGRAPH 4 OF 1999/2000 ACCOUNTS – CREDITORS BALANCE

The Committee heard that the Authority was not party to the contract for the construction of the Headquarters, which stalled after only 20% of the work had been done.

The Committee directed that the parent Ministry and Treasury to provide a report on the current status of the project and pending bills regarding the same.

The Committee concluded taking evidence on the paragraph and deferred taking evidence on Accounts of the years 2000/2001 and 2001/2002 to a later date.

MIN. NO. 141/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at 5.00 p.m. until Wednesday, September 6, 2006 at 9:30 a.m

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE EIGHTEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON WEDNESDAY, SEPTEMBER 6, 2006 AT 10:00 A.M.

PRESENT

The Hon. K.M. Sang, M.P. - **(Ag. Chairman)**
The Hon. M. Hussein Maalim, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.

ABSENT WITH APOLOGY

The Hon. J.B.N. Muturi, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. Jimmy Angwenyi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. Joseph Karua	-	Director of Audit
Mr. Julius Nga'ng'a	-	Principal Auditor

INSPECTORATE OF STATE CORPORATION

Mr. P.K. Waweru	-	Senior Inspector

MIN. NO. 142/2006/2007: EVIDENCE

Report and Accounts of the National Cereals and Produce Board for the years 1999/2000, 2000/2001 and 2001/2002 and the Certificates thereon by the Controller and Auditor General.

Mr. Naftali Mogere, Chief Executive Officer, National Cereals and Produce Board, accompanied by Messrs; Anne Kamau, Company Secretary; C.S Khaemba, Chief Accountant and C. K. Ngelechey Deputy Chief Accountant, appeared before the Committee and gave evidence on Accounts of 1999/2000, 2000/2001and 2001/2002 of the Board.

MIN. NO. 143/2006/2007: EVIDENCE: PARAGRAPH 1 OF 1999/2000 ACCOUNTS – OPERATING RESULTS

The Committee heard that the government has initiated a restructuring exercise for the Board in order to sustain its operations and thereby improve its financial performance.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 144/2006/2007: EVIDENCE: PARAGRAPH 2 OF 1999/2000 ACCOUNTS – FIXED ASSETS.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 145/2006/2007: EVIDENCE: PARAGRAPH 3 OF 1999/2000 ACCOUNTS – DEBTORS AND PREPAYMENTS.

The Committee heard that some debts have not been recovered due to age, lack of supporting documents and general inability to trace their origin.

The Committee further heard that Mr. Tanui Keter the then Import Export officer colluded with the suppliers to defraud the Corporation US $ 661,490.90 and that the matter has since been reported to the police for action.

The Committee directed the Chief Executive to expeditiously follow up the matter with the Police and to provide a list of all officers involved in the fraudulent act and copies of correspondence exchanged with the Police.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 146/2006/2007: EVIDENCE: PARAGRAPH 4 OF 1999/2000 ACCOUNTS - CREDITORS AND PROVISIONS

The Committee concluded taking evidence on the paragraph.

The Committee deferred taking evidence on the Accounts for the years 2000/2001 and 2001/2002 to a later date.

MIN. NO. 147/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at 12.20 p.m. until 2.30 p.m. this afternoon.

AFTERNOON SITTING

PRESENT:

The Hon. K.M. Sang, M.P. **(Ag. Chairman)**
The Hon. M. Hussein Maalim, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Jimmy Angwenyi, M.P.

ABSENT WITH APOLOGY

The Hon. J.B.N. Muturi, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Gitau Kabogo, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S. J. Njoroge	-	Third Clerk Assistant.
Mr. Timothy Munga	-	Parliamentary Intern.

MINISTRY OF AGRICULTURE

Mr. Moses Wandiema	-	Deputy Secretary

KENYA NATIONAL AUDIT OFFICE

Mr. Hiram Wachira	-	Assistant Director of Audit
Mr. Aaron Ouko	-	Assistant Director of Audit
Mr. M.M. Mukiiri	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. K. Nyambati - Inspector

MINISTRY OF FINANCE

Ms. L.W. Gitundu - Senior Accountant

MINISTRY OF AGRICULTURE

Mr. D.S. Kitivo - Director of Agriculture

MIN. NO. 148/2006/2007: EVIDENCE

Report and Accounts of the Agricultural Finance Corporation for the years 2000/2001, 2001/2002 and 2002/2003 and the Certificates thereon by the Controller and Auditor General.

Mr. Omurembe Iyadi, Managing Director Agricultural Finance Corporation, accompanied by Messrs: Francis Maritim, Financial Controller; Wangui Mwaniki, Chief Legal Officer; and R. K. Malel, Technical Services Coordinator; appeared before the Committee and gave evidence on Accounts of 2000/2001, 2001/2002 and 2002/2003 of the Corporation.

MIN. NO. 149/2006/2007: EVIDENCE: PARAGRAPH 1 OF 2000/2001 and 2001/2002 ACCOUNTS – FINANCIAL POSITION

The Committee heard that the Corporation is no longer insolvent as the Government has given support to the tune of Kshs.0.910 billion in addition to Kshs.0.769 billion grants received from the Japanese Government.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 150/2006/2007: EVIDENCE: PARAGRAPH 2 OF 2000/2001, 2001/2002 AND 2002/2003 ACCOUNTS – LOAN ARREARS FROM FARMERS.

The Committee noted that the loans had been written of by the Government.

The Committee concluded taking evidence on the paragraph

MIN. NO. 151/2006/2007: EVIDENCE: PARAGRAPH 3 OF 2000/2001 ACCOUNTS – FIXED ASSETS

The Committee noted that it had taken long to secure the title documents for its parcels of land.

The Committee concluded taking evidence on the paragraph save for Chief Executive providing copies of schedules of all parcels of land owned by the Corporation indicating their size and status.

MIN. NO. 152/2006/2007: EVIDENCE: PARAGRAPH 4 OF 2000/2001 ACCOUNTS – UNPAID RENT ARREARS.

The Committee heard that the Corporation has recruited an estate manager to manage Development House.

The Committee directed that the Chief Executive provides a schedule of rent debtors within seven days.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 153/2006/2007: EVIDENCE: PARAGRAPH 1 OF 2000/2001 ACCOUNTS (SEASONAL CROP CREDIT AGENCY) – REDEEMABLE LOANS.

The Committee heard that the loans have since been written off by the Government.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 154/2006/2007: EVIDENCE: PARAGRAPH 1 OF 2001/2002 ACCOUNTS – FINANCIAL POSITION.

The Committee heard that the Corporation is no longer insolvent as the Government has given support to the tune of Kshs.0.910 billion in addition to Kshs.0.769 billion grants received from the Japanese Government.

MIN. NO. 155/2006/2007: EVIDENCE: PARAGRAPH 2 OF 2001/2002 ACCOUNTS – LOAN TO FARMERS.

The Committee noted that the loans were written off by the Government.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 156/2006/2007: EVIDENCE: PARAGRAPH 3 OF 2001/2002 ACCOUNTS – PROFESSIONAL CONSULTANCY KSHS. 1,502,000.

The Committee heard that the Inspectorate of State Corporations was following up the matter of irregular payment of Ksh. 1,502,000 as consultancy fees for surcharge and that the Corporation has since streamlined the procurement procedures.

The Committee directed that Chief Executive writes to Inspectorate of State Corporations and report progress on the matter within seven days.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 157/2006/2007: EVIDENCE: PARAGRAPH 4 AND PARAGRAPH 5 OF 2001/2002 AND 2002/2003 RESPECTIVELY ACCOUNTS – IRREGULAR PAYMENT OF MEDICAL EXPENSES

The Committee heard that the Inspectorate of State Corporations was following up the matter for surcharge and that the then Chief Executive paid Ksh. 1,712,158.00 vide cheque dated 6th September 2006.

The Chief Executive tabled *a receipt No. 856522 dated 6th -9- 2006 with respect of payment of Kshs. 1,712,158.00 by former Managing Director a Mr. G.K. Toroitich.*

The Committee concluded taking evidence on the paragraph.

MIN. NO. 158/2006/2007: EVIDENCE: PARAGRAPH 1 OF 2001/2002 ACCOUNTS (SEASONAL CROP CREDIT AGENCY)– REDEEMABLE LOANS.

The Committee heard that the loans in question were written off by the Government

The Committee concluded taking evidence on the paragraph.

MIN. NO. 159/2006/2007: EVIDENCE: PARAGRAPH 2 OF 2002/2003 ACCOUNTS – DEBTORS

The Committee heard that the amount of Kshs. 106,990,000 held in Trust Bank was considered doubtful since the Bank has been wound up.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 160/2006/2007: EVIDENCE: PARAGRAPH 3 OF 2002/2003 ACCOUNTS – DISPOSAL OF ASSETS.

The Committee heard that the Corporation's attempt to evict the tenant has failed and the matter referred to Rent Tribunal for determination.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 161/2006/2007: EVIDENCE: PARAGRAPH 4 OF 2002/2003 ACCOUNTS – PROPERTY MANAGEMENT

The Committee heard that the then management sourced an Estate Agent to manage Development House and that the Agent declined to remit a total of Kshs.7,290,377.00 compelling the Corporation to seek legal redress. The Matter is pending in court.

The Committee directed that the Chief Executive;

(i) provides the name of the Estate Agent and the names of directors; and

(ii) the case number and related documents.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 162/2006/2007: EVIDENCE: PARAGRAPH 5 OF 2002/2003 ACCOUNTS – IRREGULAR PAYMENT.

The Committee heard that the Inspectorate of State Corporations was following up the matter for surcharge and that the then Chief Executive paid Ksh. 1,712,158.00 vide a cheque dated 6th September 2006.

The Chief Executive tabled *a receipt No. 856522 dated 6th -9- 2006 with respect of payment of Kshs. 1,712,158.00 by a former Managing Director Mr. G.K. Toroitich.*

The Committee concluded taking evidence on the paragraph.

MIN. NO. 163/2006/2007: ADJOURNMENT

There being no other business the Chairman adjourned the sitting at 5.00 pm until September 7, 2006 at 9.30 a.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE NINETEENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON THURSDAY, SEPTEMBER 7, 2006 AT 10:00 A.M.

PRESENT

The Hon. K.M. Sang, M.P. **(Ag. Chairman)**
The Hon. M. Hussein Maalim, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Gitau Kabogo, M.P.

ABSENT WITH APOLOGY

The Hon. J.B.N. Muturi, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Jimmy Angwenyi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. S.N. Kiini	-	Deputy Director of Audit
Mr. R.N Bichanga	-	Principal Auditor

MINISTRY OF FINANCE

Mr. H.N. Mahihu	-	Senior Economist

MINISTRY OF EDUCATION

Mrs. Alice W. Gichu	-	Chief Finance Officer

MIN. NO. 164/2006/2007: EVIDENCE

Report and Accounts of the Kenya National Examination Council for the years 2000/2001 and 2001/2002 and the Certificates thereon by the Controller and Auditor General.

Mr. Paul M. Wasanga, Chief Executive Officer, Kenya National Examination Council, accompanied by Messrs; Sylvester Butoni, Chief Accountant (Revenue); Charles G. Ngumi, Chief Accountant; Reuben Mugo, SDS (F,A,P&D) and Isaac W. Gicheru, SDS(EA), appeared before the Committee and gave evidence on Accounts of 2000/2001and2001/2002 of the Council.

MIN. NO. 165/2006/2007: EVIDENCE: PARAGRAPHS 1 OF 2000/2001 and 2001/2002 ACCOUNTS – WORK – IN-PROGRESS- MITIHANI HOUSE PROJECT

The Committee heard that Phase I of the Project comprising the printing unit has been finalised and works for Phase II have already been tendered.

The Committee concluded taking evidence on the Paragraphs.

MIN. NO. 166/2006/2007: EVIDENCE: PARAGRAPHS 2 OF 2000/2001 and 2001/2002 ACCOUNTS – DEBTORS

The Committee heard that the then Principal at Lenana School was advanced Ksh.5,363,009 for hosting the Council's Examiners and that he failed to account for Ksh.2,126,11. The matter was reported to the police and later, persons were arraigned in Court.

The Committee directed that the Chief Executive provides the following:-

(i) all supporting documents in respect of the advance of Ksh.5,363,009 advanced to Lenana High School for to hosting the Council's Examiners;

(ii) copies of charge sheet or application on the case; and

(iii) the name(s) of the authorising officer(s).

Save for the above-mentioned information, the Committee concluded taking evidence on the paragraph.

MIN. NO. 167/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at 12.20 p.m. until 2.30 p.m. this afternoon.

AFTERNOON SITTING

PRESENT

The Hon. K.M. Sang, M.P. **(Ag. Chairman)**
The Hon. M. Hussein Maalim, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Gitau Kabogo, M.P.

ABSENT WITH APOLOGY

The Hon. J.B.N. Muturi, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Jimmy Angwenyi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr Aaron Ouko	-	Assistant Director of Audit

MINISTRY OF FINANCE

Mr. Humphrey N. Matuu	-	Senior Economist
Mr. Freddie K. Kiriara	-	Alternate to PS / KNH Director

MIN. NO. 168/2006/2007: EVIDENCE

Report and Accounts of the Kenyatta National Hospital for the years 1999/2000, 2000/2001 and 2001/2002 and the Certificates thereon by the Controller and Auditor General.

Dr. J.N Micheni, Ag. Chief Executive Officer, Kenyatta National Hospital, accompanied by Messrs; (Dr) Charles Kabetu, Ag Deputy Director – Clinical Services; D. N. Mugo, Finance Manager; M. M. Titagia, Chief Administrator; and John O. Auma, Supplies & Procurement Manager appeared before the Committee and gave evidence on Accounts of 2000/2001 and 2001/2002 of the Hospital.

MIN. NO. 169/2006/2007: PROCEDURE

The Committee noted that the General Manager Dr. J.N Micheni who was appointed by the Board has been on acting capacity.

Owing to the gravity of the matters raised by the Controller and Auditor General, the Committee deferred taking evidence on the Accounts of the Corporation for the years 1999/2000, 2000/2001 and 2001/2002 until such other time when it will be represented by a substantive accounting officer.

MIN. NO. 170/2006/2007: ADJOURNMENT

There being no other business the Chairman adjourned the sitting at 3.00 pm until Tuesday, September 12, 2006 at 9.30 a.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE TWENTIETH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON TUESDAY, SEPTEMBER 12, 2006 AT 10:00 A.M.

PRESENT

The Hon. K.M. Sang, M.P. **(Ag. Chairman)**
The Hon. M. Hussein Maalim, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. Jimmy Angwenyi, M.P.

ABSENT WITH APOLOGY

The Hon. J.B.N. Muturi, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Gachara Muchiri, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mrs. Marysalome N. Sesi	-	Deputy Director of Audit
Mr. R.N Bichanga	-	Principal Auditor

MINISTRY OF FINANCE

Mr. Joseph G. Kiarie	-	Accountant I
Mr. Veronica Muasya	-	Internal Auditor I

INSPECTORATE OF STATE CORPORATIONS

Mr. Davidson Sifuma	Senior Inspector

OFFICE OF THE PRESIDENT (SPECIAL PROGRAMMES)

Mr. Davies Mwaluma — Deputy Secretary

MIN. NO. 171/2006/2007: EVIDENCE

Report and Accounts of the National Aids Control Council for the years 2000/2001, 2001/2002 and 2002/2003 and the Certificates thereon by the Controller and Auditor General.

Prof. Alloys Orago , Ag. Chief Executive Officer, National Aids Control Council, accompanied by Messrs; B.W Gathirwa, Ag. Deputy Director Finance and Administration; John Kamigwi, Deputy Direct Special Programs; Karen Ronoh, Legal Officer, and George Marangu, Procurement Assistant, appeared before the Committee and gave evidence on Accounts of 2000/2001, 2001/2002 and 2002/2003 of the Council.

MIN. NO. 172/2006/2007: PROCEDURE

The Committee noted that the Chief Executive Prof. Alloys Orago was on acting capacity.

The Committee deferred taking evidence on the Accounts of the Council until such time when the Corporation will be represented by a substantive Chief Executive.

MIN. NO. 173/2006/2007: ADJOURNMENT

There being no other business the Chairman adjourned the sitting at 10.30 a.m. until 2.30 p.m. this afternoon.

AFTERNOON SITTING

PRESENT

The Hon. K.M. Sang, M.P. **(Ag. Chairman)**
The Hon. M. Hussein Maalim, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. Jimmy Angwenyi, M.P

ABSENT WITH APOLOGY

The Hon. J.B.N. Muturi, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. Ali Bahari, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. David Njoka	-	Deputy Director of Audit
Mr. Njoroge Waithima	-	Principal Auditor

MINISTRY OF FINANCE

Mr. Kennedy Ondieki	-	Deputy Director
Mr. S.N Wagitu	-	Deputy Chief Accountant

Directorate of Personnel Management

Mr. Titus Ndambuki	-	Permanent Secretary

MIN. NO. 174/2006/2007: EVIDENCE

Report and Accounts of the Kenya Institute of Administration for the years 1997/1998, 1998/1999 and 1999/2000, 2001/2002 and the Certificates thereon by the Controller and Auditor General.

Mrs. Margaret Kobia Chief Executive Officer, Kenya Institute of Administration, accompanied by Messrs; W.M. Njue, Finance & Administration Manager and Joseph Mwaniki, Senior Accountant and Charles G. Ngumi, Chief Accountant appeared before the Committee and gave evidence on Accounts of 1997/1998,1998/1999 and 1999/2000 of the Institute.

MIN. NO. 175/2006/2007: EVIDENCE: PARAGRAPH 1 of 1997/1998 ACCOUNTS - FIXED ASSETS

The Committee heard that valuation report for the Institute's fixed assets was issued in 1998 after the audit was conducted.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 176/2006/2007: EVIDENCE: PARAGRAPH 1 of 1998/1999 and 1999/2000 ACCOUNTS - FIXED ASSETS

The Committee heard that the Institute had instituted legal proceedings to recover the land that was allocated to private developers.

The Committee directed that the Chief Executive provides the names of private developers who had been allocated the plots.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 177/2006/2007: EVIDENCE: PARAGRAPH 2 of 1998/1999 ACCOUNTS – WORK IN PROGRESS

The Committee heard that the contract for construction of hostel blocks, kitchen, dining hall and laundry block was varied from Kshs.56,000,000 to Kshs.102,256,654 mainly due to depreciation of the shilling and delays in exchequer releases.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 178/2006/2007: EVIDENCE: PARAGRAPH 1 of 1999/2000 ACCOUNTS – FIXED ASSETS

The Committee heard that valuation report for the Institute's fixed assets was issued in 1998 after the audit was conducted.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 179/2006/2007: EVIDENCE: PARAGRAPH 2 of 1999/2000 ACCOUNTS – SUNDRY DEBTORS

The Committee heard that Kshs.13,700,152 had been erroneously entered in the books as sundry debtors and the error has since been rectified.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 180/2006/2007: ADJOURNMENT

There being no other business the Chairman adjourned the sitting at 3.00 pm until Wednesday, September 13, 2006 at 9.30 a.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE TWENTY FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON WEDNESDAY, SEPTEMBER 13, 2006 AT 10:00 A.M.

PRESENT

The Hon. Ali Bahari, M.P. **(Ag. Chairman)**
The Hon. Gachara Muchiri, M.P.
The Hon. K.M. Sang, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Jimmy Angwenyi, M.P.

OTHER MEMBERS

The Hon (Bishop) Stephen Ondieki, M.P.

ABSENT WITH APOLOGY

The Hon. J.B.N. Muturi, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Peter G. Munya, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. Hiram Wachira	-	Assistant Director of Audit
Mr. Aaron Ouko	-	Assistant Director of Audit
Ms. Nancy Ngechu	-	Principal Auditor
Mr. Patrick C. Ngechu	-	Senior Auditor

MINISTRY OF FINANCE

Mrs Monica Aolo	-	Chief Economist

MINISTRY OF GENDER, SPORTS, CULTURE AND SOCIAL SERVICES

Mr. Archie R.C Nzalo - Senior Deputy Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. Philip M. Nyingi - Senior Inspector

MIN. NO. 181/2006/2007: EVIDENCE

Report and Accounts of the Kenya National Library Services for the years 1997/1998, 1998/1999 and 1999/2000 and the Certificates thereon by the Controller and Auditor General.

Ms. Muthoni Kibandi, Incoming Chief Executive Officer; Mr. Moses C. Gitari, Ag. Chief Executive Officer; Kenya National Library Services, accompanied by Messrs; Virginia Kariuki, Chief Accountant; Edward Ngugi, Ag. Estate Manager and Miriam W. Kingo'ri, Human Resource Officer- Pensions, appeared before the Committee and gave evidence on Accounts of 1997/1998, 1998/1999 and 1999/2000 of the Corporation.

MIN. NO. 182/2006/2007: EVIDENCE: PROCEDURE

The Committee while noting that the Chief Executive Mr. Moses C. Gitari who had signed the response was on acting capacity, resolved to proceed with the evidence since the incoming Chief Executive who was to take office on 24/9/2006 was present.

MIN. NO. 183/2006/2007: EVIDENCE: PARAGRAPH 1 OF 1997/1998 ACCOUNTS – FIXED ASSETS

The Committee heard that the Corporation has secured letters of allotment for the plots under query while commitment letters have been issued for all plots within local authorities.

The Committee concluded taking evidence on the paragraph

MIN.NO. 184/2006/2007: EVIDENCE: PARAGRAPH 2 of 1997/1998 ACCOUNTS – STAFF PENSION FUND

The Committee heard that the Corporation was in the process of reconciling the amounts owed by the Kenya National Assurance.

The Committee directed that the reconciliations be done within 21 days and progress report be forwarded to the Committee and the Kenya National Audit Office.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 185/2006/2007: EVIDENCE: PARAGRAPH 1 of 1998/1999 ACCOUNTS – FIXED ASSETS

The Committee heard that the Corporation has secured letters of allotment for the plots under query while commitment letters have been issued for all plots within local authorities.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 186/2006/2007: EVIDENCE: PARAGRAPH 2 of 1998/1999 ACCOUNTS – DEBTORS

The Committee heard that staff retirees were advanced a total of Kshs.731,042.45 against their pension dues from the Kenya National Assurance Company, which was supposed to be recovered from the liquidators.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 187/2006/2007: EVIDENCE: PARAGRAPH 3 of 1998/1999 ACCOUNTS – PERSONAL EMOLUMENTS

The Committee heard that post facto approval was given for the Kshs.25 million, which was paid to staff for salary remissions.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 188/2006/2007: EVIDENCE: PARAGRAPH 1 of 1999/2000 ACCOUNTS – FIXED ASSETS

The Committee heard that the Corporation has secured letters of allotment for the plots under query while commitment letters have been issued for all plots within local authorities.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 189/2006/2007: EVIDENCE: PARAGRAPH 2 of 1999/2000 ACCOUNTS – PROPOSED EXTENSION OF KNLS HEADQUARTERS

The Committee heard that the sums were paid from the ministry and further that the letter authorising payment was signed by Messrs. V.B Walubayi for Messrs. F.O Guya on behalf of the Permanent Secretary.

Noting that the payments were made by the Ministry of Roads and Public Works on behalf of the Corporation and without recourse to the latter who was the Client, the Committee was concerned that the payment was made even after the Corporation had advised against such payment. It is on the basis of this payment that other consultants sought redress for settlement of their contractual fees.

The Committee resolved:

(i) that, the Chief Executive provides;

a) the name of the then Permanent Secretary, Parent Ministry;

b) the name of the then Permanent Secretary Ministry of Public Works; and

c) the list of names of directors of the said consultancy firms.

(ii) to defer taking evidence on the Paragraph to a later date when the following persons would appear before it.

1. Permanent Secretary Parent Ministry
2. Permanent Secretary Ministry of Roads and Public Works
3. then Permanent Secretary, Parent Ministry
4. Messrs. V.B Walubayi and F.O Guya, who approved the payments

MIN. NO. 190/2006/2007: EVIDENCE: PARAGRAPH 3 of 1999/2000 ACCOUNTS – DEBTORS

The Committee concluded taking evidence on the paragraph.

MIN. NO. 191/2006/2007: ADJOURNMENT

There being no other business the Chairman adjourned the sitting at 12.00 noon until 2.30 p.m. this afternoon.

AFTERNOON SITTING

PRESENT

The Hon. Ali Bahari, M.P. **(Ag. Chairman)**
The Hon. K.M. Sang, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Jimmy Angwenyi, M.P.

ABSENT WITH APOLOGY

The Hon. J.B.N. Muturi, M.P.
The Hon. Gitau Kabogo, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. Hiram Wachira	-	Assistant Director of Audit
Mr. Aaron Ouko	-	Assistant Director of Audit
Mr. Jack J. Otieno	-	Principal Auditor

MINISTRY OF FINANCE

Mr. Kennedy Ondieki	-	Deputy Director
Mr. S.N. Wagitu	-	Deputy Chief Accountant

INSPECTORATE OF STATE CORPORATION

Mr. Titus Muriithi	-	Assistant Inspector General

MINISTRY OF TOURISM AND WILDLIFE

Mr. Lagat Kipkorir - Senior Deputy Director

MIN. NO. 192/2006/2007: EVIDENCE

Report and Accounts of the Kenya Wildlife Services for the years 2000/2001, 2001/2002 and 2002/2003 and the Certificates thereon by the Controller and Auditor General.

Mr. Julius Kipng'etich, Chief Executive Officer, Kenya Wildlife Services, accompanied by Messrs; Francis Fondo, Deputy Director; Tom Sipul, Lands Manager; Joel Munyiri, Head of Infrastructure; P.L. Leitoro, Deputy Director; Michael Kipkeu Assistant Director; Connie Maina, Head of Corporate Communications; Sharon Kisire, Head of Human Resource; Nelson Agina, Chief Accountant; Alfonso Wadeyua, Ag. Corporation Secretary; Wesley Isande, Financial Controller; and Samson Kimilu, Chief Internal Auditor appeared before the Committee and gave evidence on Accounts of 2000/2001, 2001/2002 and 2002/2003 of the Corporation.

MIN. NO. 193/2006/2007: EVIDENCE: PARAGRAPH 1 of 2000/2001 ACCOUNTS - FIXED ASSETS

While noting that Committee conclusively dealt with the paragraph in its Thirteenth Report, the Committee heard that the Corporation had continued to pursue ownership documents.

Further the Committee heard that the Kitengela Wildlife Corridor had been allocated to Ministry of Livestock and Fisheries and was being used by the Kenya Meat Commission as holding area.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 194/2006/2007: EVIDENCE: PARAGRAPH 2 of 2000/2001 ACCOUNTS – LONG TERM LIABILITIES.

The Committee heard that an amount of Kshs.22,544,000 had been erroneously captured in the books and that the entry would be reversed to correct the error.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 195/2006/2007: EVIDENCE: 2001/2002 ACCOUNTS – EMPHASIS OF MATTER.

The Committee heard that the balance of Kshs. 13 Million owing to Kenya Revenue Authority has since been settled thereby resolving the audit query.
The Committee concluded taking evidence on the paragraph.

MIN. NO. 196/2006/2007: EVIDENCE: PARAGRAPH 1 of 2002/2003 ACCOUNTS - FIXED ASSETS

The Committee heard that the Corporation has contracted a company to embark on tagging of all assets, an exercise which will be completed by the year 2007.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 197/2006/2007: EVIDENCE: PARAGRAPH 2 of 2002/2003 ACCOUNTS – DEBTORS.

The Committee heard that the Corporation was recovering amounts advanced to former employees as medical expenses, imprest and salary advances.

The Committee directed that the Chief Executive provides a schedule of the recoveries to the Controller and Auditor General and copies the same to the Committee.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 198/2006/2007: EVIDENCE: PARAGRAPH 3 of 2002/2003 ACCOUNTS – ADVANCE TO CONTRACTORS.

The Committee noted that the donor (World Bank) had approved advances of up to 20% of the initial contractual sum.

The Committee directed that the Chief Executive provides names of Directors of M/s Universal F&B and M/S Kitek Contractors in two weeks time.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 199/2006/2007: EVIDENCE: PARAGRAPH 4 of 2002/2003 ACCOUNTS – CREDITORS, ACCRUALS AND PROVISIONS.

The Committee heard that the amount of Kshs.3,921,378 appearing in the accounts as creditors was credited back to the Corporation due to lack of supporting documents, thereby resolving the audit query.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 200/2006/2007: EVIDENCE: PARAGRAPH 5 of 2002/2003 ACCOUNTS – CASH AND BANK BALANCES.

The Committee heard that the officers involved in Tana GEF Project were not properly cleared from the Corporation and hence the amount of Kshs.1,004,592 could not be recovered.

The Committee directed that the Chief Executive provides;

(i) Name of the officer in charge of the project; and

(ii) Names of the officers that were involved in the loss.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 201/2006/2007: ANY OTHER BUSINESS

WILDLIFE MENACE

The Chief Executive informed the Committee that the Corporation did not have enough rangers and other resources to help contain the wildlife menace. The Service has embarked on a programme of fencing the Aberdares, Rumuruti and Kipipiri and purchasing a fleet of 80 vehicles to be disbursed to Lamu, Ijara and Mandera among other regions.

SMART CARD

The Chief Executive informed the Committee that the smart card project was a prudent business idea. However, the Corporation realised that it was losing about 100 and 200 million annually and that it was in the process of securing a new system.

HELICOPTER

The Helicopter was donated by Eden Trust to KWS in 1984 and crashed in 2004. The Chief Executive has since written to the Chief Executive, Eden Trust putting forward their case.

MIN. NO. 202/2006/2007: ADJOURNMENT

There being no other business the Chairman adjourned the sitting at 5.30 pm until Thursday September 14, 2006 at 2.30 p.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE TWENTY SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON THURSDAY, SEPTEMBER 14, 2006 AT 2:30 P.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. - **(Chairman)**
The Hon. Ali Bahari, M.P.
The Hon. K.M. Sang, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Jimmy Angwenyi, M.P.

ABSENT WITH APOLOGY

The Hon. Gitau Kabogo, M.P.
The Hon. Gachara Muchiri, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Ms. Marysalome Sesi	-	Deputy Director of Audit
Mr. Aaron Ouko	-	Assistant Director of Audit
Mr. G.K Ndegwa	-	Principal Auditor

MINISTRY OF FINANCE

Mrs. Truphena C. Mokaya	-	Deputy Chief Economist

INSPECTORATE OF STATE CORPORATIONS

Mr. Simon M. Indimuli	-	Senior Inspector

MIN. NO. 203/2006/2007: EVIDENCE

Report and Accounts of the Maseno University College for the years 1995/1996, 1996/1997, 1997/1998, 1998/1999 and 1999/2000 and the Certificates thereon by the Controller and Auditor General.

Prof. F.N. Onyango Vice Chancellor, Maseno University, accompanied by Messrs; Prof. R.K Mibey, Deputy Vice Chancellor; Ruth Chesang, Ag. Finance Officer and Festus Omido, Senior Accountant Assistant, appeared before the Committee and gave evidence on Accounts of 1995/1996, 1996/1997, 1997/1998, 1998/1999 and 1999/2000 of the University.

MIN. NO. 204/2006/2007: EVIDENCE: PARAGRAPH 1 of 1995/1996 ACCOUNTS - FINANCIAL POSITION

The Committee heard that the financial position of the University has improved, all debts settled and statutory payments are up to date.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 205/2006/2007: EVIDENCE: PARAGRAPH 2 of 1995/1996 ACCOUNTS – BUILDING WORK IN PROGRESS

The Committee heard that the Government commissioned private auditors to assess the stalled buildings and outstanding contractual obligations, whose findings were implemented and the matter resolved.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 206/2006/2007: EVIDENCE: PARAGRAPH 1 of 1996/1997 ACCOUNTS – FINANCIAL POSITION

The Committee heard that the financial position of the University has improved, all debts settled and statutory payments are up to date.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 207/2006/2007: EVIDENCE: PARAGRAPH 2 of 1996/1997 ACCOUNTS – BUILDING WORK IN PROGRESS

The Committee heard that the Government commissioned private auditors to assess the stalled buildings and outstanding contractual obligations, whose findings were implemented and the matter resolved.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 208/2006/2007: EVIDENCE: PARAGRAPH 3 of 1996/1997 ACCOUNTS – LOSS OF CASH

The Committee heard that the fraud was perpetuated by Mr. Nyamu and the matter reported to the police, though efforts to trace him have been futile.

The Committee directed that the Chief Executive writes to the area OCPD directing him to act on the case and copy the same letter to the Committee.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 209/2006/2007: EVIDENCE: PARAGRAPH 4 of 1996/1997 ACCOUNTS – CAR LOAN SCHEME

The Committee heard that loans granted to staff under the scheme have since been repaid, thereby resolving the audit query.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 210/2006/2007: EVIDENCE: PARAGRAPH 1 of 1997/1998 ACCOUNTS – FINANCIAL POSITION

The Committee heard that the financial position of the University has improved, all debts settled and statutory payments are up to date.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 211/2006/2007: EVIDENCE: PARAGRAPH 2 of 1997/1998 ACCOUNTS – FIXED ASSETS

The Committee heard that the assets inherited from Siriba Teachers Training College and the GTI have since been valued and incorporated in the 1998/1999 Accounts.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 212/2006/2007: EVIDENCE: PARAGRAPH 3 of 1997/1998 ACCOUNTS – WORK IN PROGRESS

The Committee directed that the University submits a breakdown of payment of Kshs.152,338,424 and services for which the amounts were paid.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 213/2006/2007: EVIDENCE: PARAGRAPH 4 of 1997/1998 ACCOUNTS – OUTSTANDING IMPREST

The Committee heard that that the majority of the imprest was given through research grants from donors who usually require the accounting for the imprest to be done when the research is completed. The imprest has since been accounted for to the donors.

The Committee concluded taking evidence on the paragraph and deferred taking evidence of the years 1998/1999 and 1999/2000 to a later date.

MIN. NO. 214/2006/2007: ADJOURNMENT

There being no other business the Chairman adjourned the sitting at 5.00 pm until Tuesday September 19, 2006 at 9.30 a.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE TWENTY THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON TUESDAY, SEPTEMBER 19, 2006 AT 10:00 A.M.

PRESENT

The Hon. K.M. Sang, M.P. **(Ag. Chairman)**
The Hon. Ali Bahari, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.

ABSENT WITH APOLOGY

The Hon. J.B.N. Muturi, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Gitau Kabogo, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Ms. Marysalome Sesi	-	Deputy Director of Audit
Mr. Ronald Bichanga	-	Principal Auditor

MINISTRY OF FINANCE

Mrs Truphena C. Mokaya	-	Deputy Chief Economist
Mr. Barrack Amollo	-	Alternate Director

MINISTRY OF HEALTH

Joyas Miyoma	-	Deputy Secretary

MIN. NO. 215/2006/2007: EVIDENCE

Report and Accounts of the National Hospital Insurance Fund for the years 2003/2004 and the Certificates thereon by the Controller and Auditor General.

Mr. Richard Kerich, Acting Chief Executive National Hospital Insurance Fund, accompanied by Messrs; Lawrence W. Ondali, Ag. General Manager, Finance; Geoffrey G. Mwangi, Management Accountant; David Muli, Manager and Lucy Rono, Corporate Secretary, appeared before the Committee and gave evidence on Accounts of 2003/2004 of the Fund.

MIN. NO. 216/2006/2007: EVIDENCE: PROCEDURE

The Committee noted that the Chief Executive Mr. Richard Kerich was on acting capacity. Owing to the gravity of the matters raised by the Controller and Auditor General, the Committee deferred taking evidence on the Accounts of the Fund for the years 2003/2004 until such other time when the Fund will be represented by a substantive Chief Executive.

MIN. NO. 217/2006/2007: ADJOURNMENT

There being no other business the Chairman adjourned the sitting at 10.30 a.m. until 2.30 p.m. this afternoon.

AFTERNOON SITTING

PRESENT

The Hon. K.M. Sang, M.P. **(Ag Chairman)**
The Hon. Gachara Muchiri, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Peter G. Munya, M.P.

ABSENT WITH APOLOGY

The Hon. J.B.N. Muturi, M.P.
The Hon. Ali Bahari, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Jimmy Angwenyi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

MINISTRY OF FINANCE (DGIPE)

Mr. Mutua Kilaka	-	Financial Secretary
Mr. Charles Onchoke	-	Director Finance
Mr. D.K. Komeu	-	Principal Economist
Mrs. Anne Njiru	-	Chief Finance Officer
Mr. J. K. Munge	-	Accountant I

MINISTRY OF HEALTH

Dr. H. Nyangito	-	Permanent Secretary

CONTROLLER AND AUDITOR GENERAL

Mr. H. O. Wanyama	-	Director of Audit
Ms Marysalome Sesi	-	Deputy Director of Audit
Mr. A. T. Ouko	-	Assistant Director of Audit
Mr. C.O. Kiage	-	Principal Auditor

MIN. NO. 218/2006/2007: EVIDENCE

Report and Accounts of the Kenya Medical Research Institute for the years 2000/2001, 2001/2002 and 2002/2003 and the Certificates thereon by Controller and Auditor General.

MIN. NO. 219/2006/2007: DEFERRED EVIDENCE: PARAGRAPH 1 OF 2000/2001 ACCOUNTS - STAFF HOUSING PROJECT and 2003/2004 ACCOUNTS - RESIDENTIAL STAFF HOUSING

The Committee took great exception to the fact that the management of KEMRI, and the Commissioner of Police failed to appear before it despite being requested to do so. The Committee was informed that the Permanent Secretary, Ministry of Health had received an unofficial communication that the meeting had been called off.

In the circumstances the Committee deferred taking further evidence on the paragraph until Wednesday, September 27, 2006 at 9.30 am when the following persons will be required to appear before it pursuant to Standing Order No. 148(5)(a) and (c) and the National Assembly (Powers and Privileges) Act Cap, 6 of the Laws:

(i) Chief Executive, KEMRI
(ii) the Permanent Secretary, Ministry of Health,
(iii) a representative of the Permanent Secretary, Ministry of Finance (preferably, Financial Secretary); and
(iv) the Commissioner of Police

MIN. NO. 220/2006/2007: ANY OTHER BUSINESS

The Committee sought to be briefed on why Chief Executive Officers for Kenyatta National Hospital (KNH) and National Hospital Insurance Fund have not been appointed

The Permanent Secretary informed the Committee that:-

(i) the former Chief Executive Officer of Kenyatta National Hospital is under investigation by the Kenya Anti-corruption Commission and that appointment would only be possible on conclusion of the investigations; and

(ii) the Ministry has advised the National Hospital Insurance Fund Board to expedite recruitment of a new Director in a competitive manner. In accordance with the NHIF Act and Performance Contracting Regulations, 2005, the Minister would appoint a Chief Executive for the Fund from amongst the names presented to her by the Board.

MIN. NO. 221/2006/2007: ADJOURNMENT

There being no other business the Chairman adjourned the sitting at 4.00 pm until Wednesday September 20, 2006 at 9.30 a.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE TWENTY FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON WEDNESDAY, SEPTEMBER 20, 2006 AT 10:00 A.M.

PRESENT

The Hon. K.M. Sang, M.P. **(Ag. Chairman)**
The Hon. Gitau Kabogo, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.

ABSENT WITH APOLOGY

The Hon. J.B.N. Muturi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Jimmy Angwenyi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. Sylvester Kiini	-	Deputy Director of Audit
Mr. Ronald Bichanga	-	Principal Auditor

MINISTRY OF FINANCE

Mr . Stephen Ikikii	-	Economist

INSPECTORATE OF STATE CORPORATIONS

Mr. Simon M. Indimuli	-	Senior Inspector

MINISTRY OF AGRICULTURE

Mr. J. M Gitau - Assistant Director / Tea Desk

MIN. NO. 222/2006/2007: EVIDENCE

Report and Accounts of the Nyayo Tea Zones Development Corporation for the years 1996/1997 and 1997/1998 and the Certificates thereon by the Controller and Auditor General.

Dr. Anne Kinyua Chief Executive Nyayo Tea Zones Development Corporation accompanied by Messrs; C. M Mucheke, Operations Manager; David Ndegwa, Financial Controller; David Malila, Accountant; William Togom, Human Resources Manager; Felix Wambugi, Senior Suppliers Officer and George Kamau, Ag. Internal Auditor, appeared before the Committee and gave evidence on Accounts of 1996/1997 and 1997/1998 of the Corporation.

MIN. NO. 223/2006/2007: EVIDENCE: PROCEDURE

The Committee noted that in its 13th Report it had exhaustively dealt with:-

(i) paragraph 1 of 1996/1997 - Financial Position
(ii) paragraph 3 of 1996/1997 – Management Contract
(iii) paragraph 4 of 1996/1997 – Work in Progress
(iv) paragraph 5 of 1996/1997 – Establishment Cost – Kshs.237,534,500.00
(v) paragraph 6 of 1996/1997 – Unsupported Expenditure
(vi) paragraph 1 of 1997/1998 - Work in Progress
(vii) paragraph 2 of 1997/1998 – Establishment Cost
(viii) paragraph 3 of 1997/1998 – Unsupported Expenditure
(ix) paragraph 5 of 1997/1998 – Management contract

As way forward, the Committee, in concurrence with representative of the Controller and Auditor General resolved to address the paragraphs in the same manner as in the said Report.

MIN. NO. 224/2006/2007: EVIDENCE: PARAGRAPH 2 OF 1996/1997 ACCOUNTS – CASH AND BANK BALANCE

The Committee heard that the cash and bank balances have been reconciled and verified by the Auditors.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 225/2006/2007: EVIDENCE: PARAGRAPH 7 OF 1996/1997 ACCOUNTS – DEBTORS, ADVANCES AND PREPAYMENTS

The Committee heard that out of Kshs.1,867,321 reflected as staff debtors, Kshs.1,114,627.25 has been recovered and that the balance is outstanding against former staff members.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 226/2006/2007: EVIDENCE: PARAGRAPH 8 OF 1996/1997 ACCOUNTS – AMOUNT HELD IN IMPREST – 17,454,200.

The Committee heard that the relevant documents have since been availed and verified by the Controller and Auditor General.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 227/2006/2007: EVIDENCE: PARAGRAPH 9 OF 1996/1997 ACCOUNTS – CLEARANCE OF VEHICLES AND SPARE PARTS – KSHS 4,802,320.

The Committee heard that it cleared the vehicles to prevent incurring more demurrage charges and save the situation on the ground, which required vehicles to prevent loss of green leaf on the ground

The Committee noted that the Corporation had used 2 bankers' cheques to pay 4 payees, and also payments to the customs were made whereas the Permanent Secretary, Ministry of Finance exempted the goods from taxation.

The Committee directed that the Chief Executive Officer provides a schedule of payments including cheques regarding the issue within 7 days to the Controller and Auditor General and a copy be availed to the Committee.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 228/2006/2007: EVIDENCE: PARAGRAPH 10 OF 1996/1997 ACCOUNTS – STOCKS

The Committee heard that the ledger and stock take sheets balances have been reconciled and verified by the Auditor.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 229/2006/2007: EVIDENCE: PARAGRAPH 4 OF 1997/1998 ACCOUNTS – OUTSTANDING CAR LOAN

The Committee heard that the Corporation filed a court case No. 1514/1999 and obtained judgement in its favour. Later, the debtor filed a stay of execution pending appeal and that the date of hearing of the appeal is yet to be fixed.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 230/2006/2007: ADJOURNMENT

There being no other business the Chairman adjourned the sitting at 12.00 pm until 2.30 p.m. this afternoon.

AFTERNOON SITTING

PRESENT

The Hon. K.M. Sang, M.P. **(Ag. Chairman)**
The Hon. Gitau Kabogo, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.

ABSENT WITH APOLOGY

The Hon. J.B.N. Muturi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Jimmy Angwenyi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. David M. Njoka	-	Deputy Director of Audit
Mr. Peter M. Ndegwa	-	Senior Auditor

MINISTRY OF FINANCE

Mr. Daniel Mutua - Economist

INSPECTORATE OF STATE OF CORPORATIONS

Ms. Joyce Wesonga - Senior Auditor

MINISTRY OF INFORMATION AND COMMUNICATION

Mr Omolloh Okuthe - Deputy Chief Finance Officer

MIN. NO. 231/2006/2007: EVIDENCE

Report and Accounts of the Postal Corporation of Kenya for the years 2002/2003 and 2003/2004 and the Certificates thereon by the Controller and Auditor General.

Mr. Ken Oluoch, Acting Chief Executive, Postal Corporation of Kenya accompanied by Messrs; Benson Ngari, General Manger Finance; Julius Shigoli, Corporation Secretary and Bernard Muterwa, Manager, Finance, appeared before the Committee and gave evidence on Accounts of 2002/2003 and 2003/2004 of the Corporation.

MIN. NO. 232/2006/2007: EVIDENCE: PROCEDURE

The Committee noted that the Chief Executive Mr. Ken Oluoch was on acting capacity. Owing to the gravity of the matters raised by the Controller and Auditor General and the fact that the acting Chief Executive may not be held responsible for evidence adduced, the Committee deferred taking evidence on the Accounts.

Further, the Committee took great exception to the failure by the parent Ministry to appoint a substantive Chief Executive for the Corporation for a period of over 6 months. The Committee directed the Secretariat to write to the parent Ministry communicating its concern.

MIN. NO. 233/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at 3.30 p.m. until Thursday September 21, 2006 at 9.30 a.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE TWENTY FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON THURSDAY, SEPTEMBER 21, 2006 AT 10:00 A.M.

PRESENT

The Hon. Ali Bahari, M.P. **(Ag. Chairman)**
The Hon. K.M. Sang, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Wafula Wamunyinyi, M.P.

ABSENT WITH APOLOGY

The Hon. J.B.N. Muturi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Jimmy Angwenyi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. Hiram Wachira	-	Assistant Director of Audit
Mrs Lucy Mwangi	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. Gerald Mwangi	-	Chief Inspector

MINISTRY OF FINANCE

Mr . Billow H. Abdi	-	DCFO
Mr. Stephen Ikikii	-	Economist

MINISTRY OF AGRICULTURE

Mr. Paul Chepkwony - Deputy Director of Agriculture

MIN. NO. 234/2006/2007: EVIDENCE

Report and Accounts of the Pyrethrum Board of Kenya for the years 1997/1998, 1998/1999 and 1999/2000 and the Certificates thereon by the Controller and Auditor General.

Mrs. Polyne Sego Chief Executive Pyrethrum Board of Kenya accompanied by Messrs; John Maina, Finance Manager and Peter N. Waweru, Internal Audit Manager; appeared before the Committee and gave evidence on Accounts of 1997/1998, 1998/1999 and 1999/2000 of the Board.

MIN. NO. 235/2006/2007: EVIDENCE: PARAGRAPH 1 of 1997/1998 ACCOUNTS – COMPOSITION OF THE BOARD

The Committee concluded taking evidence on the paragraph and noted that the matter was exhaustively deliberated on, in its 13th Report.

The Committee directed that the Chief Executive pursues the matter and submits to the Committee copies of documents used to pursue recovery in relation to amounts incurred on the extra Board member

The Committee concluded taking evidence on the paragraph.

MIN. NO. 236/2006/2007: EVIDENCE: PARAGRAPH 2 of 1997/1998 ACCOUNTS – PAYMENT OF ALLOWANCES TO BOARD MEMBERS

The Committee heard that allowances totalling Kshs.5,073,643, paid to Board Members was not approved in accordance with Section 10(1) and (2) of State Corporation Act. The Committee directed the Chief Executive to seek post facto approval for the payment.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 237/2006/2007: EVIDENCE: PARAGRAPH 3 of 1997/1998, 1998/1999 AND PARAGRAPH 2 of 1999/2000 ACCOUNTS – DEBTORS AND PREPAYMENT.

The Committee heard that the Corporation had recovered Kshs.6,473,073.40 in respect of the principal and interest thereon, owed from KCB.

The directed that the Chief Executive;

(i) liaises with Kenya National Audit Office to confirm the correction of credit balance of Kshs. 23,590,779.00; and

(ii) provides a schedule of all court cases involving the Corporation and actions taken by management to recover sums owed by debtors.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 238/2006/2007: EVIDENCE: PARAGRAPH 4 of 1997/1998 ACCOUNTS – FIXED ASSETS – EX-LEWA SETTLEMENT SCHEME

The Committee heard that the Board surrendered the title deed to the Ministry of Lands as the parcel allocated was in a water catchment area.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 239/2006/2007: EVIDENCE: PARAGRAPH 1 of 1999/2000 ACCOUNTS – CAPITAL WORK IN PROGRESS

The Committee heard that the Board paid Kshs.242,539.61 for prefabricated housing units in 1992, though the Forestry Industrial Training Centre stopped operations before the houses were built. The Committee concluded taking evidence on the paragraph.

MIN. NO. 240/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at 12.45 p.m. until Thursday September 26th 2006.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE TWENTY SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON TUESDAY, SEPTEMBER 26, 2006 AT 10:00 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Ali Bahari, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. K.M. Sang, M.P.

ABSENT WITH APOLOGY

The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Jimmy Angwenyi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. Hiram Wachira	-	Assistant Director of Audit
Mrs Mercy Mukiiri	-	senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. Edward M. Ngigi	-	Senior Audit Inspector

MINISTRY OF FINANCE

Mr. Stephen Ikikii	-	Economist

MINISTRY OF AGRICULTURE

Mr. Kenneth Ayoko	-	Ag. Director Agribusiness Development .

MIN. NO. 241/2006/2007: EVIDENCE

Report and Accounts of the Tea Board of Kenya for the years 1997/1998, 1998/1999 and 1999/2000 and the Certificates thereon by the Controller and Auditor General.

Mrs Cecily Kariuki, Chief Executive Tea Board of Kenya accompanied by Messrs; Phrasiah W. Mwangi, Finance Administration Manager appeared before the Committee and gave evidence on Accounts of 1997/1998, 1998/1999 and 1999/2000 of the Corporation.

MIN. NO. 242/2006/2007: EVIDENCE: PARAGRAPH 1 OF 1997/1998 AND 1998/1999 ACCOUNTS – IRREGULAR PAYMENTS OF ALLOWANCES

The Committee directed that the Chief Executive seeks post facto authority for the payment, through the parent Ministry from State Corporations Advisory Committee and copy to Kenya National Audit Office and the Committee

Committee concluded taking evidence on the paragraph.

MIN. NO. 243/2006/2007: EVIDENCE: PARAGRAPH 2 OF 1997/1998 ACCOUNTS – BOARD EXPENSES

The Committee heard that the then Chief Executive was M/s. G.M. Kimani.

The Committee directed the Chief Executive to provide names and addresses of the public officers who were paid Ksh. 73,218 as sitting allowance contrary to section 10 (1) of State Corporations Act

Committee concluded taking evidence on the paragraph.

MIN. NO. 244/2006/2007: DEFERRED EVIDENCE: PARAGRAPH 3 OF 1997/1998 ACCOUNTS – UNVOUCHED EXPENDITURE

The Committee directed that the Chief Executive provides a fresh response detailing;

(i) authorising officers;

(ii) the names of the Officers involved in production of the cash sale receipts; and

(iii) details on the nature of meetings and the minutes thereof.

The Committee deferred taking evidence on the paragraph until Thursday October 19, 2006.

MIN. NO. 245/2006/2007: EVIDENCE: 1999/2000 ACCOUNTS

The Committee noted that the 1999/2000 accounts were clean accounts and commended the Chief Executive Officer for the results

MIN. NO. 246/2006/2007: INTERNATIONAL TRIP

In view of the fact that the outgoing Committee had not undertaken its foreign trip as resolved by the Liaison Committee, the Committee resolved to conduct a Foreign Study Tour before the end of the year.

Members expressed desire to visit the African countries as well as Singapore, Indonesia and Philippines the end of the financial year to appraise itself on matters of Public Audit..

MIN. NO. 247 /2006/2007: ADJOURNMENT

There being no other business, the Chairman adjourned the meeting at 12.10 until 2.30 pm afternoon.

AFTERNOON SITTING

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Ali Bahari, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. K.M. Sang, M.P.

ABSENT WITH APOLOGY

The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Jimmy Angwenyi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. Sylvester Kiini	-	Deputy Director of Audit
Mr Aaron Ouko	-	Assistant Director of Auditor
Mr. P.G. Gichuki	-	Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Ms Joyce Wesonga	-	Senior Auditor
Mr. Julius Biginga	-	Senior Inspector

MINISTRY OF FINANCE

Mr. Stephen Ikikii	-	Economist

MINISTRY OF EDUCATION

Prof. Karega Mutahi	-	Permanent Secretary
Mrs Alice Gichu	-	Chief Finance Officer
Mr. David Sule	-	Director of Higher Education
Ms. Agnes Sila	-	Deputy Director of Education

MIN. NO. 248/2006/2007: EVIDENCE

Report and Accounts of the Nairobi University for the years 1999/2000, 2000/2001 and 2001/2002 and the Certificates thereon by the Controller and Auditor General.

Prof. G.A Magoha, Vice Chancellor University of Nairobi accompanied by Messrs; Prof. P.M.F. Mbithi, Deputy Vice Chancellor (Finance and Administration); Prof. J. J.

Kaimenyi, Deputy Vice Chancellor (Academic Affairs); Prof. A.W. Wan'gombe, Principal, College of Agriculture & Veterinary Services; Prof. F.W.O. Aduol, Principal College of Architecture & Engineering; Prof Lucy Irungu, Principal CBPS; Prof Henry W. Muturo, Principal CEES; Prof. Isaac M. Mbeche Principal CHSS; Prof Joseph Kitonyi, Principal CHS; Michael Karue, Finance Officer; Elias Wanyika, Deputy Finance Officer; Patrick Agutu, Deputy Finance Officer; Gituru Wainaina, Director UNES; Peter Busienei appeared before the Committee and gave evidence on Accounts of 1999/2000, 2000/2001 and 2001/2002 of the University.

MIN. NO. 249/2006/2007: EVIDENCE: PARAGRAPH 1 of 1999/2000, 2000/2001 AND 2001/2002 ACCOUNTS - FINANCIAL POSITION

The Committee heard that the University incurred a deficit of Ksh. 245,521,102 compared to a deficit of Kshs. 362,922,706 incurred in the previous year 1998/1999

The Committee concluded taking evidence on the matter.

MIN. NO. 250/2006/2007: EVIDENCE: PARAGRAPH 2 of 1999/2000 ACCOUNTS – FIXED ASSETS

The Committee heard that the University is awaiting issuance of title documents for 15 parcels of land while 7 other plots have been recently acquired and are undergoing valuation.

MIN. NO. 251/2006/2007: EVIDENCE: PARAGRAPH 3, PARAGRAPH 2 AND PARAGRAPH 3 of 1999/2000, 2000/2001 AND 2001/2002 ACCOUNTS RESPECTIVELY – STUDENT DEBTORS

The Committee heard that the University has embarked on efforts to recover the fees which yielded 59,749.432.50

The Committee directed that the Chief Executive Officer provides the Committee with a list of all fees defaulters as at 30th Sept 2006 and copy the same be forwarded to Kenya National Audit Office and the Parent ministry.

The Committee concluded taking evidence on the matter.

MIN. NO. 252/2006/2007: EVIDENCE: PARAGRAPH 4 OF 1999/2000 ACCOUNTS – UNEXPLAINED EXPENDITURE INCREASES

The Committee heard that the increase in expenditure during the year under review was as a result of increased number of students on introduction of Module II Programme. Consequently, there was an increase of Kshs. 13 million in food purchases alone.

The Committee concluded taking evidence on the matter.

MIN. NO. 253/2006/2007: EVIDENCE: PARAGRAPH 2 of 2001/2002 ACCOUNTS – UNREMITTED STATUTORY DEDUCTIONS

The Committee heard that the University has entered into an agreement with the Retirement Benefits Authority, NSSF and NHIF to clear all outstanding balances in monthly instalments in a bid to clear all outstanding statutory obligations.

The Committee concluded taking evidence on the matter.

MIN. NO. 254 /2006/2007: ADJOURNMENT

There being no other business the Chairman adjourned the meeting until Wednesday, September 27, 2006 at 10.00 p.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE TWENTY SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON WEDNESDAY, SEPTEMBER 27, 2006 AT 10:00 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. K.M. Sang, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Jimmy Angwenyi, M.P.

ABSENT WITH APOLOGY

The Hon. Hussein Maalim, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

INSPECTORATE OF STATE CORPORATIONS

Mr. Simon M. Indimuli	-	Senior Inspector

MINISTRY OF HEALTH

Dr. H. Nyangito	-	Permanent Secretary

CONTROLLER AND AUDITOR GENERAL

Ms Marysalome Sesi	-	Deputy Director of Audit
Mr. A. T. Ouko	-	Assistant Director of Audit
Mr. Ronald Bichanga	-	Principal Auditor

MIN. NO. 255/2006/2007: EVIDENCE

Report and Accounts of the Kenya Medical Research Institute for the years 2000/2001, 2001/2002 and 2002/2003 and the Certificates thereon by Controller and Auditor General.

Dr. Davy Koech, Chief Executive, Kenya Medical Research Institute, accompanied by Messrs, R.A Kirui, Assistant Director (Finance) and Evans M. Murayi, Chief Finance Officer; appeared before the Committee and gave evidence on the Accounts of the Institute for the years, 2000/2001,2001/2002 and 2002/2003

MIN. NO. 256/2006/2007: DEFERRED EVIDENCE: PARAGRAPH 1 OF 2000/2001 ACCOUNTS - STAFF HOUSING PROJECT AND 2003/2004 ACCOUNTS - RESIDENTIAL STAFF HOUSING

Pursuant to the resolution under **MIN. NO. 220/2006/2007,** the P.S. Health, accompanied by the Management of KEMRI appeared before the Committee to adduce evidence on Paragraph 1 of 2000/2001 accounts of KEMRI. Owing to the gravity of the matter under review and cognisant of a request by the Permanent Secretary, Ministry of Finance Vide letter RE. Conf.27/011/TY/(9) of September 26 2006, that his appearance be rescheduled to a later date, the Committee again, deferred taking further evidence on the paragraph until Thursday October 12, 2006 at 9.30 a.m. when the following persons will be required to appear before it alongside the management of KEMRI to adduce evidence on the paragraph;

(i) Permanent Secretary, Ministry of Health,
(ii) Permanent Secretary, Treasury,
(iii) Permanent Secretary, Internal Security (may be accompanied by such other officers he may deem necessary).

Noting that it had exhaustively deliberated on the matter of Staff Housing Project in its **12th Report**, which has since been adopted by the House, the Committee expressed its dissatisfaction in the manner in which the recommendations therein were being handled.

MIN. NO. 257 /2006/2007: ADJOURNMENT

There being no other business the Chairman adjourned the sitting at 12.10 until Thursday September 28, 2006 at 10.00 a.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

5th October, 2006

Date:.....

MINUTES OF THE TWENTY EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON THURSDAY, SEPTEMBER 28, 2006 AT 10:00 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. K.M. Sang, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. Wafula Wamunyinyi, M.P.

ABSENT WITH APOLOGY

The Hon. Ali Bahari, M.P.
The Hon. Hussein Maalim, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

MINISTRY OF TRADE AND INDUSTRY

Mrs E. A. M. Khaoya	-	Deputy Secretary

INSPECTORATE OF STATE CORPORATIONS

Mr. Simon M. Indimuli	-	Senior Inspector

CONTROLLER AND AUDITOR GENERAL

Mr. Hiram Wachira	-	Assistant Director of Audit
Mr. A. T. Ouko	-	Assistant Director of Audit
Ms Mercy Mukiri	-	Senior Auditor

MIN. NO. 258/2006/2007: EVIDENCE

Report and Accounts of the Investment Promotion Centre for the years 1998/1999, 1999/2000 and 2000/2001 and the Certificates thereon by Controller and Auditor General.

Mrs Susan Kikwai, Chief Executive, Investment Promotion Centre, accompanied by Messrs, Mr. F.O Awiti ,Research & Development; Susan Njoba, Manager, Finance & Administration; Mwalimu Musee, Head of Investor Services; Joseph Rotich, Internal Auditor and Nazrine Nurdin, Ag. Accountant; appeared before the Committee and gave evidence on the Accounts of the Institute for the years, 1998/1999, 1999/2000 and 2000/2001

MIN. NO. 259/2006/2007: EVIDENCE: PARAGRAPH 1 OF 1998/1999 ACCOUNTS and PARAGRAPH 3 OF 1999/2000 ACCOUNTS – DEBTORS

The Committee heard that advances made to the former Chief Executive are yet to be recovered as the matter is in court and that all the Centre's employees have cleared their obligations, while one officer is still repaying in monthly instalments.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 260/2006/2007: EVIDENCE: PARAGRAPH 2 OF 1998/1999 ACCOUNTS – IRREGULAR PAYMENTS TO A FORMER EXECUTIVE CHAIRMAN

The Committee directed the Chief Executive to write to the former Executive Chairman of the Centre, demanding all money paid to him as house allowance (Kshs.45,000); travelling expenses (Kshs.67,312) and a further Kshs.75,000 paid to him as rent.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 261/2006/2007: EVIDENCE: PARAGRAPH 3 of 1998/1999 ACCOUNTS AND PARAGRAPH 4 of 1999/2000 ACCOUNTS – TRAINING FEES.

The Committee was informed that Zenith Management Consultants Company associated with a member of the Board (Mr. Clement Kanyakoda), was paid Kshs.224,450 to offer training services to staff.

The Committee further heard that the Chief Executive at the time was Mr. Joseph Arap Ngok

The Committee observed that training services were awarded to individuals without Board approval nor any tendering procedure.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 262/2006/2007: EVIDENCE: PARAGRAPH 4 OF 1998/1999 ACCOUNTS – BOARD OF DIRECTORS MEETINGS.

The Committee heard that the matter has since been addressed and Board Meetings are being held in accordance with the law.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 263/2006/2007: EVIDENCE: PARAGRAPH 5 of 1998/1999 ACCOUNTS – IRREGULAR SALARY ADJUSTMENT

The Committee heard that the salary increment was effected for all employees when the Corporation was elevated to class A of State Corporation.

Further the Committee noted that the salary increment was carried out without following the due process.

The Committee directed that the Chief Executive Officer seeks post facto authority for the payment.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 264/2006/2007: DEFERRED EVIDENCE: PARAGRAPH 1 of 1999/2000 ACCOUNTS – FIXED ASSETS

The Committee deferred taking evidence on the paragraph to a later date when the Chief Executive will be required to have submitted a comprehensive response addressing the reservations raised by the Controller and Auditor General in the Paragraph.

The Chief Executive will also be required to provide;

(i) the name of the dealer in whose workshop the said computers were repaired,
(ii) the total cost of repair,
(iii) cost of disposing the computers; and
(iv) the name of the firm and/or individual(s) person who purchased the said computers.

MIN. NO. 265/2006/2007: EVIDENCE: PARAGRAPH 2 of 1999/2000 ACCOUNTS – CREDITORS AND ACCRUALS

The Committee heard that all outstanding employer pension contributions are being addressed.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 266/2006/2007: EVIDENCE: PARAGRAPH 5 OF 1999/2000 ACCOUNTS – INSURANCE OF ASSETS

The Committee directed that the Chief Executive submits the judgment on the case against M/s. New Day Insurance Brokers within 7 days.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 267/2006/2007: DEFERRED EVIDENCE: PARAGRAPH 6 OF 1999/2000 ACCOUNTS – RENOVATION OF OFFICES AFTER THE BOMB BLAST

The Committee heard that the documents on the tender were carried away by officers from CID in January 2001 and have not been returned to date.

The Committee directed that the Chief Executive writes to the CID Director asking him for the progress of the investigations and requesting for the documents

The Committee deferred taking evidence on the paragraph to a later date when the Chief Executive Officer will be required to submit a comprehensive response on the matter and supported by the said documents.

MIN. NO. 268/2006/2007: EVIDENCE: PARAGRAPH 7 OF 1999/2000 ACCOUNTS – GRATUITY AND PENSIONS COSTS

The Committee heard that a former Chief Executive was paid Kshs.86,024 for telephone expenses incurred in the employment of the Centre, an amount not based on actual amounts spent and it was unclear whether he was entitled to the payment.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 269/2006/2007: EVIDENCE: PARAGRAPH 8 OF 1999/2000 ACCOUNTS – LEASE AGREEMENT

The Committee heard that a total of Kshs.369,542 was paid to the Chief Executive as owner occupier allowance, when he was in occupation of a company house.

The Committee deferred taking evidence on the accounts of 2000/2001 accounts to a later date.

MIN. NO. 270 /2006/2007: ADJOURNMENT

There being no other business the Chairman adjourned the meeting at 12.10 until 2.30 p.m. this afternoon.

AFTERNOON SITTING

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. K.M. Sang, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. Wafula Wamunyinyi, M.P.

ABSENT WITH APOLOGY

The Hon. Ali Bahari, M.P.
The Hon. Hussein Maalim, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

MINISTRY OF TRADE AND INDUSTRY

Mr. G.M. Kionano - Deputy Director

INSPECTORATE OF STATE CORPORATIONS

Mr. Nelson Kweya	-	Principal Inspector

CONTROLLER AND AUDITOR GENERAL

Mr. Hiram Wachira	-	Assistant Director of Audit
Mr. A. T. Ouko	-	Assistant Director of Audit
Ms. Nancy Ngecu	-	Principal Auditor
Mr. Patrick Kibe	-	Senior Auditor

MIN. NO. 271/2006/2007: EVIDENCE

Report and Accounts of the Export Promotion Zones Authority for the years 1999/2000 and 2000/2001 and the Certificates thereon by Controller and Auditor General.

Mr Albert Gumo, Chief Executive Export Promotion Zones Authority, accompanied by Messrs, Mr. J. A. Maingi, Finance Manager, and. N.A. Bachoo, Administration Manager appeared before the Committee and gave evidence on the Accounts of the Institute for the years, 1999/2000 and 2000/2001

MIN. NO. 272/2006/2007: EVIDENCE: 1999/2000 ACCOUNTS – DEBTORS AND PREPAYMENT

The Committee heard that Mavoko Municipal Council has undertaken to pay Kshs.1,125,000 monthly in order to clear the outstanding balance of Kshs.17,290,533.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 273/2006/2007: EVIDENCE: PARAGRAPH 1 OF 2000/2001 ACCOUNTS – STAFF COSTS

The Committee heard that the Board authorised a salary review for its staff as a means to retaining staff.

The Committee directed that post facto approval for the expenditure on new staff salaries be sought from State Corporations Advisory Committee and the Treasury.

MIN. NO. 274/2006/2007: EVIDENCE: PARAGRAPH 2 of 2000/2001 ACCOUNTS – BUDGETARY CONTROLS

The Committee heard that over expenditure of Kshs.48,715,391 during the year under review was attributable to travelling and water expenses in addition to increase in staff salaries.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 276 /2006/2007: ADJOURNMENT

There being no other business the Chairman adjourned the meeting at 12.10 until Tuesday October 3, 2006 at 9.30 a.m.

Hon. J. B. N. Muturi, M.P.

Signed .....

Chairman

5th October, 2006

Date .....

MINUTES OF THE TWENTY NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON TUESDAY, OCTOBER 3, 2006 AT 10:00 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. K.M. Sang, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Wafula Wamunyinyi, M.P.

ABSENT WITH APOLOGY

The Hon. Hussein Maalim, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

CONTROLLER AND AUDITOR GENERAL

Mr. David Njoka	-	Director of Audit
Mr. Aaron Ouko	-	Assistant Director of Audit
Mr. Njoroge Wirima.	-	Principal Auditor

MINISTRY OF ENVIRONMENT

Mr A. Omar	-	Senior Assistant Secretary

INSPECTORATE OF STATE CORPORATIONS

Ms. Joyce Wesonga	-	Senior Auditor

MIN. NO. 277/2006/2007: EVIDENCE

Report and Accounts of the Kenya Forestry Research Institute for the years 1998/1999, 1999/2000 and 2000/2001 and the Certificates thereon by Controller and Auditor General.

Mr. Paul Konuche, Director, Kenya Forestry Research Institute, accompanied by Messrs, Patrick Omesa, Deputy Director Finance and administration; Mr. Bernard Kigomo, Deputy Director (Research & Development); Shem Ogao, Senior Accountant, appeared before the Committee and gave evidence on the Accounts of the Institute for the years, 1998/1999, 1999/2000 and 2000/2001

MIN. NO. 278/2006/2007: EVIDENCE: PARAGRAPH 1 OF 1998/1999, 1999/2000 and 2000/2001 ACCOUNTS - FIXED ASSETS

The Committee directed that the Permanent Secretary reports to the Committee on the progress made on the matter of processing title deed for the lands allocated to the Institute in Molo, Kakamega, Nyeri, Londiani and Turbo within 14 days and copied to Controller and Auditor General.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 279/2006/2007: EVIDENCE: PARAGRAPH 2 of 1999/2000 AND 2000/2001 ACCOUNTS – MEDICAL SCHEME

The Committee noted that in accordance with section 5(4) of the State Corporations Act and in the absence of a written post facto approval from State Corporations Advisory Committee in respect of the Medical Scheme, approved by the parent Ministry is not sufficient authority and that Treasury and State Corporations Advisory Committee must give approval. The Chief Executive was directed to seek post facto approval.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 280/ 2006/2007: ANY OTHER BUSINESS

Arising from Minute No. 102/2006/2007, the Committee resolved that the following persons appear before it alongside the management of Kenya Pipeline Company on Friday, October 13, 2006 to adduce further evidence on paragraph 5 of the report of the Controller and Auditor General on the Accounts of the Company for the year ended June 30, 2003: -

(i) Commissioner of Lands;
(ii) Permanent Secretary, Ministry of Environment and Natural Resources; and
(iii) Permanent Secretary, Parent Ministry.

The Commissioner of Lands would be expected to apprise the Committee on:-

(i) the circumstances under which the parcels of land were allocated to the first allottees, title deeds issued and later transferred to the Company; and;

(ii) the position of her department on the matter.

Permanent Secretary, Ministry of Environment and Natural Resources, would be expected to apprise the Committee on:-

(i) whether the said parcels had been degazetted at the time of allocation to the first allotees;

(ii) the circumstances under which the parcels of land were hived off from Ngong forest;

(iii) the current status of the said portion of Ngong Forest; and

(iv) the position of the Ministry of Environment and Natural Resources on the matter.

Permanent Secretary, parent Ministry would be expected to apprise the Committee on position of the Ministry on the matter.

MIN. NO. 281/2006/2007: ADJOURNMENT

There being no other business the Chairman adjourned the meeting at 12.10 until Thursday, October 5, 2006 at 9.30 a.m.

Hon. J. B. N. Muturi, M.P.

Signed: ..... **Chairman**

Date **5th October, 2006** .....

MINUTES OF THE THIRTIETH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON THURSDAY, OCTOBER 5, 2006 AT 9.50 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Jimmy Angwenyi, M.P.
The Hon. M. Hussein Maalim, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. K.M. Sang, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Gitau Kabogo, M.P.

ABSENT WITH APOLOGY

The Hon. Ali Bahari, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. (Dr.) Sammy Rutto, M.P
The Hon. Wafula Wamunyinyi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

MIN. NO. 282/2006/2007: CONFIRMATION OF MINUTES

The following Minutes were confirmed by the members present and signed by the Chairman as follows:

(i) Minutes of the Seventh Sitting held on Thursday, August 10, 2006 were proposed by Hon Jimmy Angwenyi, M.P. and seconded by Hon. M. Hussein Maalim, M.P.

(ii) Minutes of the Eighth Sitting held on Friday, August 11, 2006 were proposed by Hon. Gitau Kabogo, M.P and seconded by Hon. Hon Jimmy Angwenyi, M.P..

(iii) Minutes of the Ninth Sitting held on Tuesday, August 15, 2006 were proposed by Hon. Gachara Muchiri, M.P.., and seconded by Hon. M. Hussein Maalim, M.P.

(iv) Minutes of the Tenth Sitting held on Wednesday, August 16, 2006 were proposed by Hon. Hussein Maalim, M.P.., and seconded by The Hon. K.M. Sang, M.P.

(v) Minutes of the Eleventh Sitting held on Thursday, August 17, 2006 were proposed by Hon. Gachara Muchiri, M.P.., and seconded by Hon. M. Hussein Maalim, M.P.

(vi) Minutes of the Twelfth Sitting held on Friday, August 18, 2006 were proposed by Hon Jimmy Angwenyi, M.P. and seconded by Hon. M. Hussein Maalim, M.P.

(vii) Minutes of the Thirteenth Sitting held on Wednesday, August 23, 2006 were proposed by Hon. Gitau Kabogo, M.P and seconded by Hon Jimmy Angwenyi, M.P..

(viii) Minutes of the Fourteenth Sitting held on Tuesday, August 29, 2006 were proposed by Hon. Gitau Kabogo, M.P and seconded by Hon Jimmy Angwenyi, M.P..

(ix) Minutes of the Fifteenth Sitting held on Wednesday, August 30, 2006 were proposed by Hon.(Dr.) Abdullahi I Ali, M.P.., and seconded by Hon. Gitau Kabogo, M.P

(x) Minutes of the Sixteenth Sitting held on Thursday, August 31, 2006 were proposed by Hon.(Dr.) Abdullahi I Ali, M.P.., and seconded by Hon Jimmy Angwenyi, M.P..

(xi) Minutes of the Seventeenth Sitting held on Tuesday, September 5, 2006 were proposed by Hon.(Dr.) Abdullahi I Ali, M.P.., and seconded by Hon Jimmy Angwenyi, M.P..

(xii) Minutes of the Eighteenth Sitting held on Wednesday, September 6, 2006 were proposed by Hon.(Dr.) Abdullahi I Ali, M.P.., and seconded by Hon. M. Hussein Maalim, M.P

(xiii) Minutes of the Nineteenth Sitting held on Thursday, September 7, 2006 were proposed by Hon.(Dr.) Abdullahi I Ali, M.P.., and seconded by Hon. M. Hussein Maalim, M.P

(xiv) Minutes of the Twentieth Sitting held on Tuesday, September 12, 2006 were proposed by Hon Jimmy Angwenyi, M.P., and seconded by Hon. (Dr.) Sammy Rutto, M.P.

(xv) Minutes of the Twenty First Sitting held on Wednesday, September 13, 2006 were proposed by Hon Jimmy Angwenyi, M.P., and seconded by Hon. (Dr.) Sammy Rutto, M.P.

(xvi) Minutes of the Twenty Second Sitting held on Wednesday Thursday, September 15, 2006 were proposed by Hon Jimmy Angwenyi, M.P., and seconded by Hon. Hon.(Dr.) Abdullahi I Ali, M.P.

(xvii) Minutes of the Twenty Third Sitting held on Tuesday, September 19, 2006 were proposed by Hon.(Dr.) Abdullahi I Ali, M.P., and seconded by Hon. (Dr.) Sammy Rutto, M.P.

(xviii) Minutes of the Twenty Fourth Sitting held on Wednesday, September 20, 2006 were proposed by Hon. Peter G. Munya, M.P., and seconded by Hon. (Dr.) Sammy Rutto, M.P.

(xix) Minutes of the Twenty Fifth Sitting held on Thursday, September 21, 2006 were proposed by Hon. K. M. Sang' M.P., and seconded by Hon. Wafula Wamunyinyi, M.P.

(xx) Minutes of the Twenty Sixth Sitting held on Tuesday, September 26, 2006 were proposed by Hon. K. M. Sang' M.P., and seconded by Hon. Wafula Wamunyinyi, M.P.

(xxi) Minutes of the Twenty Seventh Sitting held on Wednesday, September 27, 2006 were proposed by Hon. K. M. Sang' M.P., and seconded by Hon. Ali Bahari, M.P.

(xxii) Minutes of the Twenty Eighth Sitting held on Thursday, September 28, 2006 were proposed by Hon. K. M. Sang' M.P., and seconded by Hon. Peter G. Munya, M.P.; and

(xxiii) Minutes of the Twenty Ninth Sitting held on Tuesday, October 3, 2006 were proposed by Hon. K. M. Sang' M.P., and seconded by Hon. Wafula Wamunyinyi, M.P..

MIN. NO. 283/2006/2007: ADJOURNMENT.

And there being no other business, the Chairman adjourned the Sitting at 12.30 p.m. until Friday 11th August 2006.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE THIRTY FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON THURSDAY, OCTOBER 12, 2006 AT 10:00 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. K.M. Sang, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. Hussein Maalim, M.P.

ABSENT WITH APOLOGY

The Hon. Ali Bahari, M.P.
The Hon. Gachara Muchiri, M.P.
The Hon. Peter G. Munya, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Mr. Munga Wahome	-	Parliamentary Intern

MINISTRY OF FINANCE

Mr. Joseph Kinyua	-	Permanent Secretary
Mrs. Esther Koimet	-	Investment Secretary
Mr. Charles Onchoke	-	Director of Finance (DGIPE)
Mr. John Munge	-	Accountant I

MINISTRY OF HEALTH

Dr. H. Nyangito	-	Permanent Secretary

CONTROLLER AND AUDITOR GENERAL

Mr. Joseph Karua	-	Director of Audit

Ms Marysalome Sesi	-	Deputy Director of Audit
Mr. A. T. Ouko	-	Assistant Director of Audit
Mr. Ronald Bichanga	-	Principal Auditor

MIN. NO. 284/2006/2007: EVIDENCE

Report and Accounts of the Kenya Medical Research Institute for the years 2000/2001, 2001/2002 and 2002/2003 and the Certificates thereon by Controller and Auditor General.

Dr. Davy Koech, Chief Executive, Kenya Medical Research Institute, accompanied by Messrs, R.A Kirui, Assistant Director (Finance) and Evans M. Murayi, Chief Finance Officer; appeared before the Committee and gave evidence on the Accounts of the Institute for the years, 2000/2001, 2001/2002 and 2002/2003.

MIN. NO. 285/2006/2007: DEFERRED EVIDENCE: PARAGRAPH 3 OF 2000/2001 ACCOUNTS – ABANDONED PROJECT

The Committee directed the Chief Executive to seek additional funding from Treasury, through the parent Ministry to complete the project.

The Committee concluded taking evidence on the paragraph.

MIN. NO.286 /2006/2007: DEFERRED EVIDENCE: PARAGRAPH 1 OF 2000/2001 ACCOUNTS - STAFF HOUSING PROJECT AND 2003/2004 ACCOUNTS - RESIDENTIAL STAFF HOUSING

The Committee heard that Kshs.93,704,800 which had been held by the Institute's lawyers had been refunded and retained by the Institute. The Committee also heard that the National Bank of Kenya has declined to release the title deed to enable the Institute solicit for funding from development partners due to a debt on the Project of Kshs.663 million to date, inclusive of interest.

The Permanent Secretary, Ministry of Health briefed the Committee on the implementation status of the Committee's recommendations on KEMRI and informed the Committee that Kenya Anti Corruption Commission has yet to finalise investigations on the recommendations to enable him fully deal with the matter.

The Permanent Secretary, also informed the Committee that his Office was awaiting the KACC report so as to take appropriate action on the recommendations made by the Committee.

The Committee directed that, the Treasury facilitates meeting(s) between itself, KEMRI, Permanent Secretary, Ministry of Health, and National Bank of Kenya, Permanent Secretary, Office of the President and the Solicitor General, with a view to reconciling the final amount owed to National Bank of Kenya and settling the amount so that the title deed on the property could be discharged. The Permanent Secretary, Treasury forwards a progress report to the Committee in two months' time from the date of October 12, 2006.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 287/2006/2007: ADJOURNMENT.

And there being no other business, the Chairman adjourned the Sitting at 12.30 p.m. until Friday 13th August 2006.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE THIRTY SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON FRIDAY, OCTOBER 13, 2006 AT 10:00 A.M.

PRESENT:

The following Members of the Committee were present:-

The Hon. J.B.N. Muturi, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Geoffrey Gachara Muchiri, M.P.
The Hon. Hussein Maalim, M.P.

ABSENT WITH APOLOGY:

The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Peter G. Munya, M.P.
The Hon. K.M. Sang, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S. J. Njoroge	-	Third Clerk Assistant.
Mr. Timothy Munga	-	Parliamentary Intern.

KENYA NATIONAL AUDIT OFFICE

Mr. D. M. Njoka	-	Deputy Director of Audit
Mr. Aaron Ouko	-	Assistant Director of Audit
Mr. F. M. Abuga	-	Senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Ms. Theorada K. Gichana	-	Principal Inspector

MINISTRY OF ENERGY

Patrick M. Nyoike - Permanent Secretary
Mr. Samuel E. Oreta - Senior Deputy Secretary

MINISTRY OF ENVIRONMENT

Mr. P.J. Kamwanja - Surveyor

MINISTRY OF FINANCE (DGIPE)

Mr. Festus King'ori - Assistant Secretary

MIN. NO. 289/2006/2007: EVIDENCE

Report and Accounts of the Kenya Pipeline Company for the years 1999/2000 and 2000/2001 and the Certificates thereon by the Controller and Auditor General.

Mr. George Okungu, Managing Director, Kenya Pipeline Company accompanied by Messrs: Caleb Manyala, Finance Manager; Marcy C. Kiptui, Company Secretary and Manyala J. O, Engineering Manager appeared before the Committee and gave evidence on Accounts of 2002/2003 of the Company and Special Audit by the Controller and Auditor General, dated September, 2005.

MIN. NO. 288/2006/2007: DEFERRED EVIDENCE: LEASE HOLD LAND

The Commissioner of Lands informed the Committee that the 36 plots of various sizes were carved out of Ngong forest between 1996 and 2001 and allocated to private developers as follows;

	NAME OF COMPANY	DIRECTORS
1.	Tairo Investments Limited	Dan Wekesa Peter Wafula(sec)
2.	Tanbell Investments Limited	Directors Not Identified
3.	Redate Investments Limited	Directors Not Identified
4.	Roseko Investment Limited	Fredrick Onyango William Mtinda (sec)
5.	Linto Limited	Patrick Mungasia Jane Nduku (sec)
6.	Makori Investments Limited	Zablon Makori Udo Eberhard Ken Eberhard

		Anthony Ogutu Ondiegi Peter Nyamwu
7.	Mathauka Developers Limited	Directors Not Identified
8.	Chemusian Limited	Directors Not Identified
9.	Sian Enterprises Limited	Directors Not Identified
10.	Velvet Safaris Limited	Gordon Okumu Wayumbua Alice Achieng Gordon Wayumba (sec)
11.	Priority Limited	Directors Not Identified
12.	Berke Limited	Directors Not Identified
13.	Somog Limited	Justus Kiptanui Koskei Hellen Samoei Africa Merchant Assurance Company Ltd
14.	Celtic Multisystems limited	Directors Not Identified
15.	Taiwa Agencies	Sammy Komen Mwaita Dinah Chelal Sammy Mwaita (sec)
16.	Grawa Enterprises	Mrs Grace Waigumo Waweru
17.	Grawa Enterprises	Miss Margaret Muthoni Kinyua
18.	Stepal Dressmaking & Design	Paul Stella
19.	Africa Merchant Assurance Company Ltd	Hon. William Ruto Mr. Silas Simatwo Mr. Francis Kipruto Tuiyott Mrs Amina Omari Mr. Linus Cheruiyot

The Committee heard that the mandatory 28 days notice of intention to degazette the land was not given as required by law and the Commissioner of Lands issued title deeds not withstanding the anomaly.

The Management of Kenya Pipeline Corporation further disclosed to the Committee the directorship of the following companies:-

(i) Redate Investment Limited - M/s David Kutwa, Daniel Kaloki.

(ii) Berke Commercial Agencies - M/s Hon. William Ruto Kipchirchir, David Kemei Kibet, Willy Bett Kipkorir, James Bett Kiprop.

(iii) Celtic Multi-Systems Ltd - M/s Catherine Chepchumba, Silas Simatwo.

MIN. NO. 290/2006/2007: ANY OTHER BUSINESS

Helicopters.

The Committee sought to know the status of the operations of the Company's chopper on commercial operations. The Committee heard that the requests to hire Helicopters were done through the Ministry of Energy and invoices have since been drawn in respect of the usage. The Committee directed the Chief Executive to provide a brief on the debtors in respect of commercial usage of the Chopper by Thursday, October 26.

MIN. NO. 291/2006/2007: ADJOURNMENT.

And there being no other business, the Chairman adjourned the Sitting at 12.30 p.m. until Friday 5th December 2006.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE THIRTY THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON FRIDAY, DECEMBER 5, 2006 AT 10:00 A.M.

PRESENT:

The following Members of the Committee were present:-

The Hon. J.B.N. Muturi, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. K.M. Sang, M.P.

ABSENT WITH APOLOGY:

The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Ali Bahari, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S. J. Njoroge	-	Third Clerk Assistant.
Mr. Timothy Munga	-	Parliamentary Intern.

KENYA NATIONAL AUDIT OFFICE

Mr. D. M. Njoka	-	Deputy Director of Audit
Mr. Aaron Ouko	-	Assistant Director of Audit
Mr. H.O. Wanyama	-	Principal Auditor

MINISTRY OF FINANCE (DGIPE)

Mr. John Munge	-	Accountant

MINISTRY OF INFORMATION AND COMMUNICATION

Mr. Bitange Ndemo	-	Permanent Secretary

MIN. NO. 291/2006/2007: EVIDENCE

Report and Accounts of the Safaricom for the year ended March 31, 2006 and the Certificate thereon by the Controller and Auditor General.

Mr. Michael Joseph, Chief Executive, Safaricom, accompanied by Mr. Les Baille, Finance Manager appeared before the Committee and gave evidence on Accounts of the Company for the year ended March 31, 2006 and the certificates thereon by the Controller and Auditor General.

MIN. NO. 292/2006/2007: EVIDENCE: ACCOUNTS OF SAFARICOM FOR THE YEAR ENDED MARCH 31, 2006

The Committee took evidence on:-

Notes 17 and 25 of the accounts; and

Allocation and payment of dividends between the shareholders of Safaricom (K) Ltd.

The Committee was informed that:-

(i) the Figure of Kshs 4,235,000,000 appearing in Notes 17 and 25 relates to license fee that was paid to CCK for Telecommunications License issued to Safaricom in year 2000. This License fee had not been envisaged at the time of entering into contract between Vodafone (K) Ltd. and Telkom (K) Ltd. The Company therefore requested the two shareholders to raise the fee.

(ii) the two shareholders subsequently granted the company the license fee loan at Kshs. 2,541,000,000 and 1,694,000,000 by Telkom and Vodafone (K) Ltd, respectively. This represented their relative shareholding majorities at 60% and 40% respectively. The Loans were provided interest free and without specific repayment date;

(iii) in accordance with the contract between the two shareholders, dividends payable to any of the two shareholders is used to offset any obligations owing. Prior to the year 2006, Telkom (K) Ltd owed the Company (Safaricom) in excess of Kshs. 2.6 billion as interconnection debts. Hence, while dividends payable to Vodafone (K) Ltd is paid in cash directly at 40%, that payable to Telkom at 60% is used to offset the debt owing;

(iv) Vodafone (K) Ltd owns 40% of Safaricom (K) Ltd. Vodafone (K) Ltd is 100 percent owned by Vodafone Plc incorporated in the United Kingdom. Further, a company known as Mobitelea Ventures Ltd. owns 12.25% of Vodafone Plc;

and

(v) Mr. Philip Rhys is an executive in Mergers and Acquisition in Vodafone plc. Reportedly, he disclosed the information in (iii) above to the public.

The Committee directed the Chief Executive (Safaricom) to provide the following at least two days before the next appearance;

(i) a copy of the agreement creating Safaricom (K) Ltd;

(ii) a copy of the due diligence report, if any, conducted before Safaricom was formed;

(iii) copies of loan agreement between Safaricom and Telkom (K) Ltd and between Safaricom and Vodafone (K) Ltd; and

(iv) detailed information on Safaricom (K) Ltd share capital both authorized and issued.

In light of the foregoing, the Committee deferred taking evidence on the maters until Thursday, December 14, 2006 at 10.00 a.m. when the following persons will be required to appear before it:-

(i) Mr. Philip Rhys of Vodafone Plc- invited through Safaricom (K) Ltd;
(ii) A director of Vodafone (K) Ltd;
(iii) The Registrar of Companies;
(iv) Chief Executive, Telkom (K) Ltd;
(v) Chief Executive Communication Commission of Kenya (CCK).

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE THIRTY FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON FRIDAY, DECEMBER 14, 2006 AT 10:00 A.M.

PRESENT:

The following Members of the Committee were present:-

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Gitau Kabogo, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. K.M. Sang, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.

ABSENT WITH APOLOGY:

The Hon. Wafula Wamunyinyi, M.P.
The Hon. Ali Bahari, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S. J. Njoroge	-	Third Clerk Assistant.
Mr. Timothy Munga	-	Parliamentary Intern.

KENYA NATIONAL AUDIT OFFICE

Mr. H.O. Wanyama	-	Principal Auditor
Mr. D. M. Njoka	-	Deputy Director of Audit
Mr. Aaron Ouko	-	Assistant Director of Audit

MINISTRY OF FINANCE

Mr. John Munge	-	Accountant

MINISTRY OF INFORMATION AND COMMUNICATION

Mr. Bitange Ndemo	-	Permanent Secretary

COMMUNICATION COMMISSION OF KENYA

Eng. J.N. Waweru	-	Chief Executive
Mr. Lucky Waindi	-	Legal officer

TELKOM KENYA LTD

Mr. Sammy Kirui	-	Managing Director
Mr. Paul Lilani	-	CS/CSO

MIN. NO. 293/2006/2007: EVIDENCE:

Report and Accounts of the Safaricom for the year ended March 31, 2006 and the Certificate thereon by the Controller and Auditor General.

Mr. Michael Joseph, Chief Executive, Safaricom Ltd, accompanied by Mr. Les Baillie, Chief Finance Officer, Safaricom Ltd. appeared before the Committee and gave evidence on Accounts of year ended March 31, 2006 of the Company and the certificate thereon by the Controller and Auditor General.

MIN. NO. 294/2006/2007: DEFERRED EVIDENCE: ACCOUNTS OF SAFARICOM FOR THE YEAR ENDED MARCH 31, 2006

The Committee, citing section 17 of the National Assembly (Powers & Privileges) Act Cap 6, Laws of Kenya asserted that the Chief Executive Safaricom must provide the additional information requested under Min No. 286/2005/2006.

The Chief Executive laid the following papers before the Committee:-

(i) A copy of deed of variation of interconnection agreement (variation 1)
(ii) A copy of deed of variation of interconnection agreement (variation 2) Celtel & Safaricom.
(iii) A copy of Interconnect charges - Celtel & Safaricom
(iv) A copy of Interconnect charges - TKL & Safaricom 2000
(v) A copy of Interconnect charges – Kencell & Safaricom
(vi) A copy of Service Level Agreement
(vii) A copy of Interconnect charges - TKL & Safaricom – 2004
(viii) A copy of Shareholders Loan payment of license fees – Vodafone (K) Ltd
(ix) A copy of Shareholders Loan payment of license fees – Telkom (K) Ltd

The Committee further heard that:-

(i) Safaricom was registered in March 1997 (as a business unit of KP&TC). At the

time, the government policy obtaining on investments in the communications industry stipulated that Kenyans (locals) must own at least 70% of any such company;

(ii) as at 25th January 1999, Telkom owned 70% shareholding of Safaricom while 30 % was owned by Vodafone (K) Ltd;

(iii) the Agreement was amended later and from 5th October 1999, the shareholding of Telkom was reduced to 60 %; no cash payments were made to Telkom (K) Ltd. in respect of the reduction;

(iv) the Company (Safaricom) was capitalized in May 2000, and Vodafone contributed U.S $. 20 million and U.S. $30 million were contributed by Telkom (K) Ltd in kind- being GSM equipment and existing customer base;

(v) the policy was amended in April 1999 and vide Legal Notices Nos. 8227 of 3rd December, 2001, and 2431 of March 31st, 2006. This reduced the local shareholding to 60% and later to 30 % and stipulated that where such investments are made by listed company(ies), such would be regulated by the Capital Markets Authority.

The Committee noted that Mr. Philip Rhys of Vodafone Plc and a director of Vodafone (K) Ltd had not attended the sitting. The Committee resolved that they be requested to appear before it again at a later date.

The Committee directed that:-

(i) the Chief Executive, Telkom (K) Ltd provides evidence of the Treasury and the parent Ministry sanctioning the reduction of Telkom (K) Ltd to 60% and also copies of Minutes of the Board of Telkom (K) Ltd approving the same; and

(ii) a director of Vodafone (K) Ltd. be asked to appear before it at a later date to give evidence. In particular, any of the directors of Vodafone as shown in the paper laid of May 26, 2000 being an unsigned letter ostensibly from Vodafone (K) Ltd. to Safaricom Ltd Referenced: Shareholders asking for Payment of License Fee.

Having perused the Papers Laid and in the foregoing circumstances, the Committee deferred taking evidence on the matters until Tuesday, January 30, 2007 at 10 a.m. when the following persons will also be required to appear before it to adduce evidence: -

(i) the Permanent Secretary, Treasury,
(ii) the Investments Secretary,
(iii) the Registry of Companies
(iv) Mr. Stanley Murage, former Permanent Secretary, Ministry of Transport
(v) Mr. Martin-Luke Oduor Otieno, former Permanent Secretary, Treasury
(vi) Mr. Augustine Cheserem, former Chief Executive, KP&TC.

MIN. NO. 295/2006/2007: DEFERRED EVIDENCE: ACCOUNTS OF SAFARICOM FOR THE YEAR ENDED MARCH 31, 2006

The Committee noted that the letter dated May 26, 2000 tabled before it by Mr. Michael Joseph, Chief Executive Officer, Safaricom Kenya Ltd as evidence that Vodafone Kenya Ltd had paid part of its licence fee, appeared to be fictitious since the postal coding 00100 shown on the letterhead did not exist at that time (year 2000).

MIN. NO. 296/2006/2007: ADJOURNMENT.

And there being no other business, the Chairman adjourned the Sitting at 12.30 p.m. to a later date.

Hon. J. B. N. Muturi, M.P.
Signed:.....
(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE THIRTY FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON TUESDAY, JANUARY 30, 2007 AT 10.30 A.M.

PRESENT:

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Wafula Wamunyinyi, M.P.
The Hon. K.M. Sang, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. Ali Bahari, M.P.

ABSENT WITH APOLOGY

The Hon. (Dr.) Sammy Rutto, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

MS. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant

CONTROLLER AND AUDITOR GENERAL

Mr. D.M. Njoka	-	Deputy Director of Audit
Mr. A. T. Ouko	-	Assistant Director of Audit

OFFICE OF THE REGISTRAR GENERAL

Ms. M. Jane Joram	-	Senior Assistant Registrar General
Mr. W. Gikonyo	-	Senior Assistant Registrar General

MINISTRY OF INFORMATION AND COMMUNICATION

Dr. Bitange Ndemo	-	Permanent Secretary

MINISTRY OF FINANCE (DGIPE)

Mr. Joseph Kinyua	-	Permanent Secretary
Ms. E. Koimett	-	Investment Secretary
Mr. J Munge	-	Accountant

COMMUNICATION COMMISSION OF KENYA

Eng. Waweru	-	Director General
Mr. L. Waindi	-	Legal Officer

TELKOM KENYA L.T.D

Mr. Sammy Kirui	-	Managing Director
Mr. P. Jirani	-	Company Secretary

MIN. NO. 297/2006/2007: EVIDENCE

Report and Accounts of Safaricom (K) Ltd for the year ended 31st March 2006 and the Certificates thereon by the Controller and Auditor General.

Dr. Michael Joseph, Chief Executive, Safaricom (k) and Prof. Githui; legal advisor appeared before the Committee to give evidence on the Accounts for the year ended 31st March 2006 and the certificate thereon by the Controller and Auditor General.

MIN. NO. 298/2006/2007: PROCEDURE

The Committee noted that it had not received the documents in good time and thus deferred taking evidence until 27th February 2007 to enable the Committee examine the availed documents.

Min. NO. 299 /2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting to a later date.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE THIRTY SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON WEDNESDAY, JANUARY 31, 2007 AT 10:00 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Ali Bahari, M.P.
The Hon. K.M. Sang, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.

ABSENT WITH APOLOGY

The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Gitau Kabogo, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

MS. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant

CONTROLLER AND AUDITOR GENERAL

Mr. A. T. Ouko	-	Assistant Director of Audit
Mr. M.M. Mukiiri	-	Senior Auditor

MINISTRY OF FINANCE

Mr. H.N. Muhu	-	Senior Economist

INSPECTORATE OF STATE CORPORATIONS

Mr. P.M. Nyingi	-	Senior Inspector

MINISTRY OF TRADE AND INDUSTRY

Mr. David Nalo	-	Permanent Secretary
Mrs. E.A.M. Khaoya	-	Alternate Director

MIN. NO. 300/2006/2007: EVIDENCE

Report and Accounts of the Kenya Investments Authority for the years 1998/1999, 1999/2000 and 2000/2001 and the Certificate thereon by Controller and Auditor General.

Ms. Susan Kikwai, Managing Director, Kenya Investments Authority, accompanied by, Mr. F. Owiti; Head of Research Policy Advocacy and Planning, Ms Nellie Mwawaka; Liaisons Officer JKIA Office, Mr Joseph Rotich; Internal Auditor and Mr David S. Sosor; Corporate Services/ Officer; appeared before the Committee and gave evidence on the Accounts of the Institute for the years, 1998/1999, 1999/2000 and 2000/2001

MIN. NO. 301/2006/2007: DEFERRED EVIDENCE: PARAGRAPH 1 OF 1999/2000 ACCOUNTS – FIXED ASSETS

The Committee heard that the dealer was M/s City Distributors and that the three computers were not repaired because they had been declared obsolete. They were later sold for a total of Kshs 7,000/= as scrap.

The Committee concluded taking evidence on the paragraph.

MIN. NO.302 /2006/2007: DEFERRED EVIDENCE: PARAGRAPH 6 OF 1999/2000 ACCOUNTS – RENOVATION OF OFFICES AFTER THE BOMB BLAST

The Committee heard that the corporation was not successful in securing the documents that had earlier been taken by the CID in 2001. The said documents were alleged to be misplaced by the CID when they moved to their new offices in Kiambu Road and transfers of the officers who were handling the case to various provinces.

The Committee concluded taking evidence on the paragraph.

MIN. NO.303 /2006/2007: EVIDENCE: PARAGRAPH 1 OF 2000/2001 – FIXED ASSETS

The Committee heard that that the centre did not maintain fixed assets register but adequate measures were taken to ensure that all ledgers and other accounting documents are duly updated.

The Committee concluded taking evidence on the paragraph.

MIN. NO.304 /2006/2007: EVIDENCE: PARAGRAPH 2 OF 2000/2001 – LAND PURCHASE.

The Committee heard that the former Managing Director Dr. N'gok, authorised the payments without the Board's or parent Ministry's approval and that this was among various claims that the Authority was claiming against Dr. N'gok and that the matter was pending in court.

The Committee concluded taking evidence on the paragraph.

MIN. NO.305 /2006/2007: EVIDENCE: PARAGRAPH 3 OF 2000/2001 – STAFF DEBTORS

The Committee heard that the Authority is making advances so that the debts and salary advances can be paid within a period of 12 months as per the Code of Conduct and Authority Staff Regulations.

The Committee also heard that Hon. Soita Shitanda continues to regularly service his debt at a rate of Kshs. 35000/= per month and expects to clear the balance in five months time.

The Committee concluded taking evidence on the paragraph.

MIN. NO.306 /2006/2007: EVIDENCE: PARAGRAPH 4 OF 2000/2001 – CREDITORS

The Committee heard that the Authority was in correspondence with the Parent Ministry seeking assistance to clear staff pension areas that had accumulated during Dr. Joseph N'gok tenure.

The Committee concluded taking evidence on the paragraph.

MIN. NO.307 /2006/2007: EVIDENCE: PARAGRAPH 5 OF 2000/2001 – EXTERNAL TRAVEL BY THE EXECUTIVE CHAIRMAN.

The Committee heard that the then Executive Chairman Dr. Joseph N'gok had travelled to Zambia and Arusha on official business though no evidence of clearance could be traced.

The Committee directed that the Chief Executive pursues post facto authority to regularize the expenditure

The Committee concluded taking evidence on the paragraph.

MIN. NO.308/2006/2007: EVIDENCE: PARAGRAPH 6 OF 2000/2001 – TRAINING EXPENSES

The Committee was informed that the name of the company which was paid management consultancy fees was M/s Zennith Management Consultants which was associated with Mr. Clement Kanyakoda a member of the IPC Board at the time.

The Committee observed that there was no competitive bidding, no Boards approval or even appraisal on the training

The Committee concluded taking evidence on the paragraph.

MIN. NO.309 /2006/2007: EVIDENCE: PARAGRAPH 7 OF 2000/2001 – TERMS AND CONDITIONS OF SERVICE

The Committee was informed that during the year under review the Terms and Conditions of Service in place were contrary to the provisions of section 6 of the Investment Promotion Act, Cap 485, hence the then Executive Chairman Dr. Joseph N'gok approved rates higher than provided for in the DPM circular No.4/2000 Ref. DPM.38/1/1A/(14) dated 31st August 2000.

The Committee concluded taking evidence on the paragraph.

MIN. NO.310 /2006/2007: EVIDENCE: PARAGRAPH 8 OF 2000/2001 – FEES COMMISSIONS AND HONORARIA

The Committee was informed that the Board continued to be in office even after their term had expired in the year 2000/2001 thus incurring an expenditure of Kshs. 380,000/= irregularly.

The Committee directed that the Chief Executive provides the names of the then Board members and copied to Kenya National Audit Office and the Inspectorate of State Corporations for surcharge.

The Committee Concluded taking evidence on the paragraph.

MIN. NO.311 /2006/2007: EVIDENCE: PARAGRAPH 9 OF 2000/2001 – COMPUTER SERVICES

The Committee was informed that the Authority contracted the services of two firms M/s Atlas Data Com to design and maintain the payroll and M/s Intergreen Services to host and maintain the authority's website.

Further that the CID took away records of the quotations of the year 1999/2000 in January 2001 and the Corporation could not avail them for audit purposes.

The Committee concluded taking evidence on the paragraph.

MIN. NO.312 /2006/2007: EVIDENCE: PARAGRAPH 10 OF 2000/2001 – CONSULTANCY SERVICES

The Committee was informed that the former Managing Director authorised the consultancies without the Board's approval.

The Committee noted that one of the consultant Harriet N'gok was the daughter of the then Managing Director Dr. Joseph N'gok.

The Committee concluded taking evidence on the paragraph.

MIN. NO.313 /2006/2007: EVIDENCE: PARAGRAPH 11 OF 2000/2001 –

The Committee concluded taking evidence on the paragraph.

MIN. NO.314 /2006/2007: EVIDENCE: PARAGRAPH 1 OF 2001/2002 – DEFICIT FOR THE YEAR

The Committee was informed that the deficit was occasioned by increase of salaries of the support staff in October 2001 and increase in house allowance in January 2002 in compliance with DPM circular No. 18/1A/8/141 dated 18th June 2001.

Further that increase in transport and travelling was due to aggressive provincial workshops and seminars and office expenses due to printing of brochures and investor guides which had not been printed in the previous year.

The Committee concluded taking evidence on the paragraph.

MIN. NO.315 /2006/2007: EVIDENCE: PARAGRAPH 2 OF 2001/2002 – FIXED ASSETS

The Committee heard that that the centre did not maintain fixed assets register due to under staffing but adequate measures were taken to ensure that all ledgers and other accounting documents are duly updated.

The Committee concluded taking evidence on the paragraph.

MIN. NO.316 /2006/2007: EVIDENCE: PARAGRAPH 3 OF 2001/2002 – PRINTING OF THE INVESTORS GUIDE

The Committee was informed that the contracted supplier fraudulently submitted invoices for the whole quantity whereas he had supplied only a small portion. This was reported to CID officers after which the supplier made good for the overpayment.

The Committee concluded taking evidence on the paragraph.

MIN. NO.317 /2006/2007: EVIDENCE: PARAGRAPH 4 OF 2001/2002 – TERMS AND CONDITIONS OF SERVICE

The Committee heard that the Authority has since written to the parent Ministry seeking post facto authority on the expenditure

The Committee Concluded taking evidence on the paragraph.

MIN. NO.318 /2006/2007: EVIDENCE: PARAGRAPH 1 OF 2002/2003 – FIXED ASSETS

The Committee heard that that the centre did not maintain fixed assets register due to under staffing but adequate measures were taken to ensure that all ledgers and other accounting documents are duly updated.

The Committee concluded taking evidence on the paragraph.

MIN. NO.319 /2006/2007: EVIDENCE - PARAGRAPH 2 OF 2002/2003 – STAFF EMOLUMENTS

The Committee heard that the Authority has since written to the Parent Ministry seeking post facto authority on the expenditure

The Committee concluded taking evidence on the paragraph.

MIN. NO. 320/2006/2007: ADJOURNMENT.

And there being no other business, the Chairman adjourned the Sitting at 1.05 p.m. until Thursday 1st February, 2007.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE THIRTY SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, THURSDAY, FEBRUARY 1, 2007 AT 10:00 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Sammy Rutto, M.P
The Hon. K.M. Sang, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.

ABSENT WITH APOLOGY

The Hon. Ali Bahari, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

MS. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant

MINISTRY OF FINANCE

Mr. Kinyua	-	Permanent Secretary
Mrs. E. Koimett	-	Investments Secretary
Mr. John Munga	-	Accountant

CONTROLLER AND AUDITOR GENERAL

Mrs. Komora	-	Controller and Auditor General
Mr Sylvester N. Kiini	-	Deputy Director of Audit
Mr. Ouko Aaron	-	Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Mrs. Wesonga	-	Senior Auditor

OTHER WITNESSES:

Mr. Charles O. Ogallo - Former Director, Kenya Re.

MIN. NO. 321/2006/2007: EVIDENCE

Report and Accounts of the Kenya Reinsurance for the years 2003/2004, 2004/2005, and the Certificate thereon by Controller and Auditor General.

Michael Mbeshi, Ag. Chief Executive, Kenya Re. Evans Jumba, Ag. Managing Director and Nyakundi Mogere Chief Accountant appeared before the Committee and gave evidence on the Accounts of Kenya Reinsurance for the year 2004/2005.

MIN NO.322 /2006/2007: EVIDENCE: PARAGRAPH 1 OF 2004/2005 ACCOUNTS: PUBLICATION OF FINANCIAL STATEMENTS

The Committee heard from the Permanent Secretary, Treasury, that:-

(i) There is need to look at the Public Audit, State Corporations Act, the Exchequer & Audit Act and the Banking Act, with a view to harmonising the Statutes and exempt the State Corporations in the Financial/Banking Sector from State Corporations Act and to provide that, even though they may be Audited by external auditors on commission of the C&AG, certification of the consequent report would be signed by the respective external auditor;

(ii) KENAO, being a member of the Supreme Audit Institutions is recognised globally as a competent and proficient authority in matters of Audit;

(iii) The C&AG noted that in as much as the State Corporations would wish to be exempted from the State Corporations Act, the reasons behind such request may not be in the best interest of the respective Corporations. In maintaining a true and fair view of the state of affairs of Corporations, it would be imperative to uphold the rationale behind audit and requisite level of disclosure.

The Committee noted that by failing to table the Financial Statements of National Bank before the House, the Minister for Finance would be violating the law (Public Audit Act, 2003). In this respect, the Committee noted that it might have to result to invoking Section 16(2) of the Public Audit Act, 2003.

Mr. Charles Ogallo, former Board Member at Kenya Re informed the Committee that, by signing the uncertified accounts, he was safeguarding the interests of the

Corporation and that it was in good faith since the full Board had approved the financial statements.

The Committee directed that, Kenya Re. must comply with the law in respect of publishing their Accounts.

MIN NO.323 /2006/2007: **EVIDENCE: PARAGRAPH 2 OF 2004/2005 ACCOUNTS: LOSSES ON SALE OF HOUSES.**

The Committee heard the evidence from the Chief Executive that the losses were occasioned by political pressure at the conception of the project.

The Committee concluded taking evidence on the paragraph.

MIN NO.324 /2006/2007: **EVIDENCE 2004/2005 ACCOUNTS: PARAGRAPH 3: COMPLIANCE WITH THE INSURANCE ACT.**

The Committee concluded taking evidence on the paragraph.

MIN. NO. 325/2006/2007: **ADJOURNMENT**

And there being no other business, the Chairman adjourned the Sitting at 1.05 p.m. until Thursday 1st February, 2007.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE THIRTY EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON TUESDAY, FEBRUARY 27, 2007 AT 10.30 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Wafula Wamunyinyi, M.P.
The Hon. K.M. Sang, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Ali Bahari, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.

ABSENT WITH APOLOGY

The Hon. Gitau Kabogo, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

MS. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant

CONTROLLER AND AUDITOR GENERAL

Mr. D.M. Njoka	-	Deputy Director of Audit
Mr. A. T. Ouko	-	Assistant Director of Audit
Mr. F. Abuga	-	Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Mr. P. Wandaka	-	Senior Inspector

MINISTRY OF FINANCE

Mr. F. King'ori	-	DGIPE

MIN. NO. 326/2006/2007: EVIDENCE

Report and Accounts of Kenya Plant Health Inspectorate Service for the year, 1998/1999 and the Certificates thereon by the Controller and Auditor General.

Dr. C. Kedera, Chief Executive, Kenya Plant Health Inspectorate Service, accompanied by Mr. S. Ithili; General Manager Finance and Administration and Mrs. S. Njuguna; Administration Secretary appeared before the Committee to give evidence on the Accounts of 1998/1999 and the certificate thereon by the Controller and Auditor General.

MIN. NO. 327/2006/2007: EVIDENCE - 1998/1999 ACCOUNTS, PARAGRAPH 1 OF 1999/2000 and 2000/2001 ACCOUNTS

The Committee heard that the assets had been excluded from the accounts since their value could not be ascertained. The figures have since been ascertained and included in the accounts.

The Committee also heard that out of the 330 acres of land only have been recovered.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 328/2006/2007: EVIDENCE - PARAGRAPH 2 OF 1999/2000 - DEBTORS

The Committee heard that the debt had accrued due to a misunderstanding between KEPHIS and Kenya Seed Board on the number of inspections charged. However, arrangements are in place to have the debts cleared.

The Committee concluded taking evidence on the paragraph.

MIN. NO.329/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting to a later date.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE THIRTY NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON TUESDAY, 8TH FEBRUARY, 2007 AT 11.00 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Jimmy Angwenyi, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Ali Bahari, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.

ABSENT WITH APOLOGY

The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. K.M. Sang, M.P.
The Hon. Gitau Kabogo, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

MS. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant

INSPECTORATE OF STATE CORPORATIONS

Mr. T.K. Gichana	-	Principal Inspector

CONTROLLER AND AUDITOR GENERAL

Mr. S.N Kiini	-	Deputy Director Auditor
Mr. C.N. Nyanyuki	-	Principal Auditor

MINISTRY OF AGRICULTURE

Mr. Ondanje G.B	-	Deputy Director of Agriculture

MIN. NO. 330/2006/2007: EVIDENCE

Report and Accounts of the Kenya Sugar Board and Sugar Development Fund for the years 2001/2002 and 2002/2003 and the Certificates thereon by Controller and Auditor General.

Mr. A.O. Otieno, Chief Executive, Kenya Sugar Board, accompanied by Messrs J. Makeni, Head of Finance, S. Odera, Sugar Development Fund Manager and R. Mkok, Company Secretary appeared before the Committee and gave evidence on the Accounts of the Board for the years, 2001/2002 and 2002/2003.

MIN. NO.331/2006/2007: EVIDENCE - PARAGRAPH 1 OF KSB 2002/2003 – SHORT TERM LOANS

The Committee heard that the Board borrowed Kshs. 148,618,184.90 from Sugar Development Fund without any formal agreement or Board approval.

The Committee further heard that the Chief Executive at the time was Mr. Francis Chahonyo.

The Committee concluded taking evidence on the paragraph.

MIN. NO.332/2006/2007: EVIDENCE - PARAGRAPH 2 OF KSB 2002/2003 – CREDITORS AND ACCRUALS

The Committee heard that the Board withheld the tax provisions awaiting communication from Treasury where they had requested for a tax waiver. The request was not responded to.

The Committee further heard that the amount due plus the penalty arising have since been paid to Kenya Revenue Authority.

The Committee concluded taking evidence on the paragraph.

MIN. NO.333/2006/2007: EVIDENCE - PARAGRAPH 3 OF KSB 2002/2003 – EXPENDITURE BY EFFICIENCY MONITORING UNIT (EMU)

The Committee heard that the Board had received correspondence from the Ministry of Agriculture and Office of the President indicating that the Board should cater for the expenses incurred by the Board.

The Board has since declined to give approval for the expenditure amounting to Kshs. 2,332,793/=.

The Committee concluded taking evidence on the paragraph.

MIN. NO.334/2006/2007: EVIDENCE - PARAGRAPH 4 OF KSB 2002/2003 – BOARD CHAIRMAN OUT-OF-POCKET REIMBURSEMENT

The Committee heard that the Board approved the payment and since the Board had representatives of Parent Ministry and Treasury, the management did not see the need for further approval.

The Committee concluded taking evidence on the paragraph.

MIN. NO.335/2006/2007: EVIDENCE - PARAGRAPH 5 OF KSB 2002/2003 – FUNDS HELD BY THE FORMER BOARD OFFICIALS AND STAFF

The Committee heard that the Board was pursuing recovery of the amounts in court except for Mr. Austin Amulyoto who has since left the country and efforts tot race him have been fruitless. Others who owed the Board monies and whose cases were pending in court included Hon. Mark Too, Mr. Peter Kegode, and Mr. Francis Chahonyo.

The Committee concluded taking evidence on the paragraph.

MIN. NO.336/2006/2007: EVIDENCE - PARAGRAPH 1 OF SDF 2002/2003 – SHORT TERM INVESTMENTS

The Committee noted that the response provided by the Chief Executive was inadequate.

Owing to the gravity of the matter the Committee deferred taking evidence on the matter until its next meeting with Sugar Development Fund on February 15, 2007.

MIN. NO.337/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting at 1.35 p.m. to a later date.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE FORTIETH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON WEDNESDAY, FEBRUARY 14, 2007 AT 10:00 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Ag Chairman)**
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. K.M. Sang, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Jimmy Angwenyi, M.P.

ABSENT WITH APOLOGY

The Hon. Gitau Kabogo, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant

KENYA NATIONAL AUDIT OFFICE

Mr. A Ouko	-	Assistant Director of Audit
Mrs Mercy Mukiiri	-	senior Auditor

INSPECTORATE OF STATE CORPORATIONS

Ms. A Njoroge	-	Principal Inspector

MINISTRY OF FINANCE

Mr. Stephen Ikikii	-	Economist

MINISTRY OF AGRICULTURE

Mr. A Mondoh	Director of Administration

MIN. NO. 338/2006/2007: EVIDENCE

Report and Accounts of the Tea Board of Kenya for the years 1997/1998, 1998/1999 and 1999/2000 and the Certificates thereon by the Controller and Auditor General.

Mrs Sicily Kariuki Chief Executive Tea Board of Kenya accompanied by Mrs Pharasiah W. Mwangi, Finance Administration Manager appeared before the Committee and gave evidence on Accounts of 1997/1998, 1998/1999 and 1999/2000 of the Board.

MIN. NO. 339/2006/2007: DEFERRED EVIDENCE: PARAGRAPH 3 OF 1997/1998 ACCOUNTS – UNVOUCHED EXPENDITURE

The Committee heard that the officers who authorised the expenditure were Mr. Hezekiah Njenga who has since left the services of the Board and Mr. Joseph Thaya and Mr. George Kimani was the Managing Director at the time.

Further the Committee heard that the efforts of the Board to secure handwriting experts with CID were fruitless.

The Committee concluded taking evidence on the paragraph.

MIN. NO.340/2006/2007: EVIDENCE - PARAGRAPH 1 OF 2000/2001 – PURCHASE OF PROPERTY

The Committee heard that the Board used a former landlord and its employee to identify the property while changing user from residential to commercial and the legal fees.

The Board retained the services of the lawyers and valuer as a result of their satisfactory performance in earlier engagements by the Board.

The Committee concluded taking evidence on the paragraph.

MIN. NO.341 /2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting at 1.35 p.m. to a later date.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE FORTY FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON THURSDAY FEBRUARY 15, 2007 AT 10:00 A.M.

PRESENT

The Hon. (Dr.) Sammy Rutto, M.P. **(Ag Chairman)**
The Hon. (Dr) Abdullahi I. Ali, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Ali Bahari, M.P.

ABSENT WITH APOLOGY

The Hon. Gitau Kabogo, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. K.M. Sang, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

MS. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant

MINISTRY OF FINANCE (DGIPE)

Mr. S Ikikii	-	Economist

CONTROLLER AND AUDITOR GENERAL

Ms. Marysalome Sesi	-	Deputy Director of Audit
Mr. Boniface Mulli	-	Principal Auditor

MIN. NO. 341/2006/2007 EVIDENCE

Report and Accounts of the Capital Markets Authority and for the years 2003/2004, 2004/2005 and the Certificate thereon by the Controller and Auditor General.

Mr. Edward H. Ntalami, Chief Executive accompanied by Messrs Joachim Githinji, Manager Finance appeared before the Committee to give evidence on the Accounts of the Authority for the year 2003/20004, 2004/2005.

MIN. NO. 343/2006/2007: EVIDENCE- PARAGRAPH 1 OF 2003/2004 AND PARAGRAPH 2 OF 2004/2005 – STAFF LOANS

The Committee heard the evidence that it was the norm for the Authority to give modest loans to its staff.

At the time of dismissal, the then Chief Executive, Mr. Paul Kipkemboi Meli, owed the Authority Kshs.4,402,817/= . The officer has since filed a case in High Court for wrongful dismissal which has hampered the recoverability of the amount.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 344/2006/2007: EVIDENCE- NEW TERMS AND CONDITIONS OF SERVICE

The Committee heard the evidence that the Treasury which is also the Parent Ministry directed the Board of CMA to carry out a detailed review of the Authority's organisation structure, remuneration scales and other terms and conditions of service for employees.

The resulting consultants report was further considered and approved by the Board.

The Committee concluded taking evidence on the paragraph.

MIN. NO.345/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting at 1.35 p.m. to 2.00p.m. this afternoon.

AFTERNOON

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Jimmy Angwenyi, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.

ABSENT WITH APOLOGY

The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Ali Bahari, M.P.
The Hon. K.M. Sang, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

MS. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant

INSPECTORATE OF STATE CORPORATIONS

Mr. T.K. Gichana	-	Principal Inspector

CONTROLLER AND AUDITOR GENERAL

Mr. S.N Kiini	-	Deputy Director Auditor
Mr. C.N. Nyanyuki	-	Principal Auditor

MINISTRY OF AGRICULTURE

Mr. Ondanje G.B	-	Deputy Director of Agriculture

MIN. NO. 345/2006/2007: EVIDENCE

Report and Accounts of the Kenya Sugar Board and Sugar Development Fund for the years 2001/2002 and 2002/2003 and the Certificates thereon by Controller and Auditor General.

Mr, A.O. Otieno, Chief Executive, Kenya Sugar Board, accompanied by Messrs J. Makeni, Head of Finance, S. Odera, Sugar Development Fund Manager and R. Mkok, Company Secretary appeared before the Committee and gave evidence on the Accounts of the Board for the years,2001/2002 and 2002/2003.

MIN. NO.346 /2006/2007: DEFERRED EVIDENCE - PARAGRAPH 1 OF SDF 2002/2003 – SHORT TERM INVESTMENTS

The Committee heard that the Fund had invested Kshss51,865,496.91 in Euro Bank that later collapsed, contrary to financial regulations, which required Treasury approval.

The Committee concluded taking evidence on the paragraph.

MIN. NO.347 /2006/2007: EVIDENCE - PARAGRAPH 2 OF SDF 2002/2003 – LOAN TO COMPANIES

The Committee heard that principal loan amount in the balance sheet of 4.4 billion was of the total outstanding amounts.

The Committee concluded taking evidence on the paragraph.

MIN. NO.348 /2006/2007: EVIDENCE - PARAGRAPH 3 OF SDF 2002/2003 – LOAN TO KENYA SUGAR BOARD.

The Committee heard that the Board approved the borrowing of the funds under Min. A16/99 at its 116 meeting held on 18th March 1999 and that the 1999/2000 budget was a revision of 1998/1999 budget."

The Committee concluded taking evidence on the paragraph.

MIN. NO.349 /2006/2007: EVIDENCE – ANY OTHER BUSINESS

On the issue of COMESA sugar imports 2007/2008, the Committee heard that the intention to bring forward the importation dates from the usual 1st March was because of the prevailing shortage of sugar. The proposal was later turned down by Treasury against the wishes of Kenya Sugar Board and Ministry of Agriculture.

Owing to the gravity of the matter and its likely implications, the Committee deferred the issue to a later date when the Ministry of Agriculture and Ministry of Finance officials would be present.

MIN. NO.350/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting at 1.35 p.m. to a later date.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE FORTY SECOND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON TUESDAY, 20th FEBRUARY, 2006 AT 10:00 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Ali Bahari, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. (Dr.) Sammy Rutto, M.P

ABSENT WITH APOLOGY

The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. K.M. Sang, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

MS. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant

CONTROLLER AND AUDITOR GENERAL

Mrs. Marysalome N. Sesi	-	Deputy Director of Audit
Mr Aaron Ouko	-	Assistant Director of Audit
Mr. R. Bichanga	-	Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Mrs. P.M. Njingi	-	Senior Inspector

MINISTRY OF LANDS

Mr Z.A Mabea	-	Senior Assistant Commissioner of Lands

OFFICE OF THE REGISTRAR GENERAL

Ms. Jane Joram	-	Senior Assistant Registrar
Mr. W. Gikonyo	-	Assistant Registrar

MIN. NO. 351/2006/2007: EVIDENCE

Report and Accounts of the Kenya Medical Training College for the years 1997/1998, 1998/1999, 1999/2000, and the Certificate thereon by Controller and Auditor General.

Dr. Timothy King'ondu, Director, Kenya Medical Training College, accompanied by Dr. J. Maswan, Deputy Director; J.O. Ombayo Financial Manager, Silas E. Njiru, Procurement Manager; David O. Ondeng, Registrar Administration; Mr. S.E Njeru, Procurement Manager; and Mr. J.I. Obiye, Human Resources Manager appeared before the Committee and gave evidence on the Accounts of Kenya Medical Training Collage, for the year 1996/97, 1998/1999, 1999/2000, 2000/2001.

MIN. NO. 352/2006/2007: DEFERRED EVIDENCE : PARAGRAPH 1 OF 1997/1998 ACCOUNTS - FIXED ASSETS

The Committee heard that the College in collaboration with the office of the Commissioner of Lands was in the process of obtaining title deeds for its parcels of land.

The Committee concluded taking evidence on the paragraph.

MIN. NO.353/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting to a later date.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE FORTY THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON WEDNESDAY, 21st FEBRUARY, 2006 AT 10:00 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. K.M. Sang, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Wafula Wamunyinyi, M.P.

ABSENT WITH APOLOGY

The Hon. Gitau Kabogo, M.P.
The Hon. Ali Bahari, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

MS. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant

KENYA NATIONAL AUDIT OFFICE

Mr. Aaron Ouko	-	Assistant Director of Audit
Ms. Nancy Ngechu	-	Principal Auditor
Mr. Patrick C. Kibe	-	Senior Auditor

MINISTRY OF FINANCE

Ms L. Gitundu	-	Senior Accountant

MINISTRY OF ROADS AND PUBLIC WORKS

Eng. M. Mohamud	-	Permanent Secretary
Mr. P. Sika	-	Chief Architect
Mr. O. Nameya	-	Chief Finance Officer

INSPECTORATE OF STATE CORPORATIONS

Mr. Philip M. Nyingi - Senior Inspector

MIN. NO. 354/2006/2007: EVIDENCE

Report and Accounts of the Kenya National Library Services for the years 1997/1998, 1998/1999 and 1999/2000 and the Certificates thereon by the Controller and Auditor General.

Ms. Muthoni Kibadi, Chief Executive Officer; Kenya National Library Services, accompanied by Messrs; Ms. Virginia Kariuki, Chief Accountant ; Mr. M. Ngugi, Ag. Estate Manager; Ms. W. Ngovi, Director of Professional Services and Mrs. Miriam W. Kingo'ri, Human Resource Officer- pensions, appeared before the Committee and gave evidence on Accounts of 1997/1998, 1998/1999 and 1999/2000of the Corporation.

MIN. NO. 355/2006/2007: DEF ERRED EVIDENCE: PARAGRAPH 2 of 1999/2000 ACCOUNTS – PROPOSED EXTENSION OF KNLS HEADQUARTERS

The Committee heard that the Attorney General advised the KNLS to pay the consultants to avoid further loss and accruing interest.

The Permanent Secretary Ministry of Roads and Public Works informed the Committee that:-

(i) the Ministry of Roads and Public Works was not involved in any way in the approval and subsequent revision of the estimates until 1993 (five years later).

(ii) in 17th March 1993 the Ministry advised that the commissioning of the consultant was illegal and thus no consultancy fees was payable;

(iii) the Ministry later received information from the Parent Ministry that the Attorney General had advised that a valuation of work be done and if such works are not worthless to the client , then payment should be made;

(iv) at that time, the project had already been approved by the Board; and

(v) the ministry passed the fee note of Kshs 900,207,335.95 to the parent ministry which had requested as per procedure since they are the ones who had requested for evaluation.

In absence of the Permanent Secretary Ministry Gender Sports Culture and Social services, the Committee deferred taking evidence on the paragraph.

MIN. NO. 356/2006/2007: EVIDENCE: PARAGRAPH 1 of 2000/2001 ACCOUNTS – FIXED ASSETS

The Committee heard that the Corporation had made progress in securing the title deeds for most of the parcels of land.

The Committee directed that the Chief Executive moves with speed to ensure that all the parcels of land have the title deeds.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 357/2006/2007: EVIDENCE: PARAGRAPH 2 of 2000/2001 ACCOUNTS – LOSS OF BOOKS.

The Committee heard that loss was a five year accumulation and represented less than 1% of the total books.

Further that the Corporation had instituted measures to prevent books loss which included installing sensor machines and carrying out awareness campaign. In addition it was liaising with other intuitions mainly TSC to help recover the books from teachers.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 358/2006/2007 2001/2002 ACCOUNTS

The Committee noted that the Accounts for the year 2001/2002 did not have any audit reservations.

MIN.NO.359/2006/2007: EVIDENCE: PARAGRAPH 1 OF 2002/2003 ACCOUNTS – FIXED ASSETS

The Committee concluded taking evidence on the paragraph.

MIN. NO.360 /2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting to a later date.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE FORTY FOURTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON THURSDAY , FEBRUARY 22, 2007 AT 10.30 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Wafula Wamunyinyi, M.P.
The Hon. K.M. Sang, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Jimmy Angwenyi, M.P.

ABSENT WITH APOLOGY

The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. Ali Bahari, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

MS. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant

CONTROLLER AND AUDITOR GENERAL

Ms Marysalome Sesi	-	Deputy Director of Audit
Mr. A. T. Ouko	-	Assistant Director of Audit
Mr. R. Bichanga	-	Principal Auditor

INSPECTORATE OF STATE CORPORATIONS

Ms. M. Ratemo	-	Principal Inspector

MINISTRY OF HEALTH

Dr. Hezron Nyangito	-	Permanent Secretary

MINISTRY OF FINANCE (DGIPE)

Mrs. Esther. Koimett	-	Investment Secretary
Mr. J Munge	-	Accountant

MIN. NO. 361/2006/2007: EVIDENCE

Report and Accounts of the Kenya Medical Research Institute for the years 2000/2001, 2001/2002 and 2002/2003 and the Certificates thereon by the Controller and Auditor General.

Dr. Davy Koech, Chief Executive, Kenya Medical Research Institute, accompanied by Messrs, and E. Murayi , acting Assistant Director (Finance) appeared before the Committee and gave evidence on the Accounts of the Institute for the years, 2000/2001,2001/2002 and 2002/2003

MIN. NO. 362/2006/2007: DEFERRED EVIDENCE: PARAGRAPH 1 OF 2000/2001 ACCOUNTS - STAFF HOUSING PROJECT and 2003/2004 ACCOUNTS - RESIDENTIAL STAFF HOUSING

The Committee heard that the ministries of Finance and Health had reached an agreement to factor in the budgetary allocation for the completion of the staff housing project in the budget of 2007/2008.

Further the Committee heard that the title deed of the property would be returned to KEMRI once the restructuring process was over.

The Committee directed that all the involved parties move with speed to ensure that the project is completed in the light of the public resources that had been invested in the project.

The Committee concluded taking evidence on the project.

MIN. NO. 363/2006/2007: EVIDENCE: PARAGRAPH 1 OF 2004/2005 ACCOUNTS - RESIDENTIAL STAFF HOUSING

The Committee noted that it had exhaustively dealt with the paragraph in the accounts of the previous years accounts of KEMRI.

The Committee heard that the decision to write off the housing project was in accordance to International Financial Accounting Standards that required that resources foresee future economic benefit be written off.

The Committee directed that the asset be reinstated to the fixed asset register as the Parent Ministry and the Ministry of Finance had agreed to revive the project.
The Committee concluded taking evidence on the project.

MIN. NO. 364/2006/2007: EVIDENCE: PARAGRAPH 2 OF 2004/2005 ACCOUNTS – DEBTORS

The Committee heard that the lawyers had since remitted the funds to the Corporation.

The Committee noted that only a bank statement was availed to auditors for review and directed that the Management of KEMRI submits to KENAO all other evidence in relation to the transaction to enable final verification and reports to the Committee in seven days time.

The Committee concluded taking evidence on the project.

MIN. NO. 365/2006/2007: EVIDENCE: PARAGRAPH 3 OF 2004/2005 ACCOUNTS – IRREGULAR HOUSE ALLOWANCE(15,020,800).

The Committee heard that officers receiving such allowances while outside Nairobi retained their Nairobi residences and only moved to various stations due to research duties which involved frequent travels hence they qualified to enjoy the Nairobi House allowance rates which the Board approved.

The Committee concluded taking evidence on the project.

MIN. NO. 366/2006/2007: EVIDENCE: PARAGRAPH 4 OF 2004/2005 ACCOUNTS – DONOR FUNDING

The Committee heard the evidence that most donors had their own accounting regulations and that this had brought challenges to the Corporation especially when documents are in the custody of those donors.

Further the Committee heard that the documents have since been availed to KENAO for verification.

The Committee concluded taking evidence on the project.

MIN. NO.367 /2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting to 2.00p.m this afternoon.

AFTERNOON SITTING

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Jimmy Angwenyi, M.P.
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Ali Bahari, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. K.M. Sang, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.

ABSENT WITH APOLOGY

The Hon. Gitau Kabogo, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

MS. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant

INSPECTORATE OF STATE CORPORATIONS

Mr. T.K. Gichana	-	Principal Inspector

CONTROLLER AND AUDITOR GENERAL

Mr. S.N Kiini	-	Deputy Director Auditor
Mr. A Ouko	-	Assistant Director of Audit

MIN. NO. 368/2006/2007: EVIDENCE

Matter of Sugar importation under the COMESA FTA Safeguard Window.

Mr. S. Busolo, Chairman Kenya Sugar Board; Mr, A.O. Otieno, Chief Executive, Kenya Sugar Board, accompanied by Messrs J. Makeni, Head of Finance, S. Odera, Sugar Development Fund Manager and R. Mkok, Company Secretary; appeared before the Committee to give evidence on the matter of COMESA Sugar Imports 2007/2008.

MIN. NO.369/2006/2007: COMESA SUGAR IMPORTS 2007/2008

The Committee noted that the Ministers in charge of Finance and Agriculture or their representatives were not present in the meeting and thus deferred taking evidence on the issue to a later date.

MIN. NO.370 /2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting to a later date.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE FORTY FIFTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON TUESDAY, FEBRUARY 27, 2007 AT 10.30 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. (Chairman)
The Hon. Wafula Wamunyinyi, M.P.
The Hon. K.M. Sang, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Gitau Kabogo, M.P.

ABSENT WITH APOLOGY

The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Ali Bahari, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

MS. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant

CONTROLLER AND AUDITOR GENERAL

Mr. D.M. Njoka	-	Deputy Director of Audit
Mr. A. T. Ouko	-	Assistant Director of Audit

OFFICE OF THE REGISTRAR GENERAL

Ms. M. Jane Joram	-	Senior Assistant Registrar General
Mr. W. Gikonyo	-	Senior Assistant Registrar General

MINISTRY OF INFORMATION AND COMMUNICATION

Dr. Bitange Ndemo	-	Permanent Secretary

MINISTRY OF FINANCE (DGIPE)

Ms. E. Koimett	-	Investment Secretary
Mr. J Munge	-	Accountant

COMMUNICATION COMMISSION OF KENYA

Eng. Waweru	-	Director General
Mr. L. Waindi	-	Legal Officer

TELKOM KENYA L.T.D

Mr. Sammy Kirui	-	Managing Director
Mr. P. Jirani	-	Company Secretary

MIN. NO. 371/2006/2007: EVIDENCE

Report and Accounts of Safaricom (K) Ltd for the year ended 31st March 2006 and the Certificates thereon by the Controller and Auditor General.

Dr. Michael Joseph, Chief Executive, Safaricom (K) Ltd, appeared before the Committee to give evidence on the Accounts of the year ended 31st March 2006 and the certificate thereon by the Controller and Auditor General and the matter of shareholding of the Company.

MIN. NO. 372/2006/2007: EVIDENCE

The Committee heard from the Director General Communication Commission of Kenya that;

(i) initially the government required any foreign firm investing in telecommunication sector to have at least 70% of its equity owned by Kenyans and for listed companies to conform with existing laws and regulations of the Capital Markets Authority

(ii) the policy was changed in April 1999 to allow such foreign investors to own 40% and the 60% of equity owned by Kenyans and for listed companies to conform with existing laws and regulations of the Capital Markets Authority

(iii) further review in December 2001 reduced the equity to be owned by Kenyans to be at least 30% and for listed companies to conform with existing laws and regulations of the Capital Markets Authority

The Committee also heard from the Chief Executive Safaricom, (In reference to a letter written by Mr. Garvin Darbly, Chief Executive Vodafone Americas/Africa/China/India dated 29th January 2006) that:-

(i) Vodafone PLC chose Mobitelea (a company resident in Guernsey) to give advice on local business practices and protocol and the various challenges associated with investing in a new market;

(ii) in return for valued advice Vodafone PLC offered Mobitelea the opportunity to acquire 25% of Vodafone Kenya Ltd (VKL) at a price similar to what VKL had paid in Safaricom. This transaction was completed for cash in 2002;

(iii) Vodafone PLC bought back 12.5 of VKL from Mobitelea at a fair market value for cash; and

(iv) that Mobitelea was only a financial investor in Vodafone Kenya Ltd with no seat on the Safaricom board, and no vote in operational or investment decisions and had no influence in any way over Safaricom.

The Senior Assistant Registrar General informed the Committee that-

(i) Safaricom was first registered as a private company on 3rd April 1997 and was converted to a public company under special resolution on 23rd May, 2001; and

(ii) Vodafone (Kenya) Limited (VKL) was registered on 3rd February 1998 and adopted the name VKL on 15th October 1998

The Committee concluded taking evidence on the paragraph despite noting that some of the documents relating the acquisition of 40% stake of Vodafone in Safaricom were not available.

MIN. NO.373 /2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting to a later date.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE FORTY SIXTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON MONDAY, APRIL 16, 2007 AT 3.00 P.M.

PRESENT:

The following Members of the Committee were present:-

The Hon. Ali Bahari, M.P. - **Ag. Chair**
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Moses Cheboi, M.P.
The Hon. (Dr) Abdullahi Ibrahim Ali, M.P.
The Hon. Wycliffe Oparanya, M.P.

ABSENT WITH APOLOGY:

The Hon. Balala, M.P.
The Hon. George Khaniri, M.P.
The Hon. J.B.N. Muturi, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. S. J. Njoroge - Third Clerk Assistant.

MIN. NO. 374/2006/2007: CONSIDERATION OF THE PROGRAMME FOR THE PERIOD MAY - JULY, 2007

The Committee considered and adopted its programme for the Period May to July, 2007:-

MIN. NO. 375/2006/2007: ADJOURNMENT

There being no other business the Committee adjourned at 4.30 pm to a later date.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE FORTY SEVENTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON TUESDAY, MAY 22, 2007 AT 11.25 AM.

MORNING SITTING

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Wafula Wamunyinyi, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. George Khaniri, M.P.
The Hon. Moses Cheboi, M.P.
The Hon. Wycliffe Oparanya, M.P.
The Hon. Ali Abdul Bahari, M.P.
The Hon. Jimmy Angwenyi, M.P.

ABSENT WITH APOLOGY

The Hon. Najib Balala, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr) Abdullahi Ibrahim Ali, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. S.J. Njoroge	-	Third Clerk Assistant
Ms. C.S. Leparleen	-	Parliamentary Intern

CONTROLLER AND AUDITOR GENERAL

Mr. Joseph K.M. Karua	-	Director of Audit
Ms. Marysalome Sesi	-	Deputy Director
Mr. Aaron Ouko	-	Assistant Director
Mr. Ronald Bichanga	-	Principal Auditor

MINISTRY OF FINANCE

Mr. Anne Mwalonzi	-	Senior Accountant

INSPECTORATE OF STATE CORPORATIONS

Ms. Jane Weru	–	Chief Inspector

MINISTRY OF HEALTH

Ms. Mary W. Ngari – Director of Administration

MIN. NO.376/2006/2007: EVIDENCE

Report of the Accounts of the National Hospital Insurance Fund for the year 2003/2004 Certificates thereon by the Controller and Auditor General.

Mr. Richard Kerich, Chief Executive, National Hospital Insurance Fund, accompanied by Messrs: Lawrence Ondari, General Manager Finance and Accounting, Geoffrey Mwangi, Finance Manager, Jacinta Mwangi, Financial Accounting Manager, Ruth Gichohi, Credit Central Manager and Lucy Rono, Corporate Secretary, appeared before the Committee to give evidence on Accounts of 2003/2004.

MIN. NO.377/2006/2007: EVIDENCE: PARAGRAPH 1OF 2003/2004 ACCOUNTS: CONSTRUCTION OF NHIF BUILDING

The Committee noted that it had dealt with a similar paragraph in the accounts of the Fund for the financial year 2002/2003.

The Committee concluded taking evidence on the paragraph.

MIN. NO.378/2006/2007: EVIDENCE: PARAGRAPH 2 OF 2003/2004 ACCOUNTS: CONSTRUCTION OF MULTI STOREY CAR PARK

The Committee noted that it had dealt with a similar paragraph in the accounts of the fund for the financial year 2002/2003.

The Committee also noted that the final cost of the project has not been closed and that the management has since forwarded an addendum in this regard to the Ministry of Roads and Public Works.

The Committee directed the Chief Executive to liaise with the Ministry of Roads and Public Works and submit information on the final account of the project by June 31st, 2007.

The Committee concluded taking evidence on the paragraph.

MIN. NO. 379/2006/2007: **EVIDENCE: PARAGRAPH 3 OF 2003/2004 ACCOUNTS: IRREGULAR PROCUREMENT OF CONSULTANCY SERVICES**

The Committee concluded taking evidence on the paragraph.

MIN. NO. 380/2006/2007: **EVIDENCE: PARAGRAPH 4 OF 2003/2004 ACCOUNTS: LONG TERM INVESTMENTS**

The Committee concluded taking evidence on the paragraph.

MIN. NO. 381/2006/2007: **EVIDENCE: PARAGRAPH 5 – DEBTORS AND REPAYMENTS**

The Committee concluded taking evidence on the paragraph.

MIN. NO. 382/2006/2007: **EVIDENCE: PARAGRAPH 6 – BENEFITS TO CONTRIBUTORS**

The Committee concluded taking evidence on the paragraph.

MIN. NO. 383/2006/2007: **ADJOURNMENT**

And there being no other business, the Chairman adjourned the Sitting at 1.10 p.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE FORTY EIGHTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON THURSDAY, MAY 24, 2007 AT 10.25 AM.

MORNING SITTING

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. Moses Cheboi, M.P.
The Hon. George Khaniri, M.P.
The Hon. Wafula Wamunyinyi, M.P.

ABSENT WITH APOLOGY

The Hon. Wycliffe Oparanya, M.P.
The Hon. Ali Abdul Bahari, M.P.
The Hon. Najib Balala, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr) Abdullahi Ibrahim Ali, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S.J. Njoroge	-	Third Clerk Assistant
Ms. C.S. Leparleen	-	Parliamentary Intern

CONTROLLER AND AUDITOR GENERAL

Mr. Joseph K.M. Karua	-	Director of Audit
Mr. Aaron Ouko	-	Assistant Director
Mr. Ronald Bichanga	-	Principal Auditor
Mr. Henry Manegene	-	Senior Auditor

MINISTRY OF FINANCE

Mr. Charles Onchoke	-	Director Finance
Mr. John Munge	-	Senior Accountant

MIN. NO. 384/2006/2007: EVIDENCE

Report of the Accounts of the Kenya Medical Research Institute for the year 2005/2006 Certificates thereon by the Controller and Auditor General.

Mr. Davy Koech, Chief Executive, Kenya Medical Research Institute, accompanied by Messrs: Renison A. Kirui, Assistant Director Finance and Evans M. Murayi, Finance Manager, appeared before the Committee to give evidence on Accounts of 2005/2006 of the Institute.

MIN. NO.384/2006/2007: EVIDENCE: PARAGRAPH 1 OF 2005/2006 ACCOUNTS: RESIDENTIAL STAFF HOUSING PROJECT

The Committee noted that it had exhaustively addressed itself on the matter during its previous sittings wherein, in the its meeting of February 22, 2007 and in line with the proposal of the Committee, the Permanent Secretary in the Ministry of Finance vide letter REF: Conf. 268/03 of 6th February 2007, conveyed to the Committee that: -

(i) he had asked the Permanent Secretary Ministry of Health to instruct the Director of the Institute (in consultation with the Ministry of Roads and Public Works), to undertake an evaluation of the budgetary requirements for the completion of the project. Based on this evaluation the quantum of the resources required to finalise the project will be identified and be factored in the budget estimates for the financial year 2007/08; and

(ii) the Ministry of Health would take the lead in the overall management of the project in order to avoid past mistakes.

Further, the Permanent Secretary in the Ministry of Finance vide letter REF: Conf. 69/01 of 16 , February 2007, conveyed to the Committee that "*we have agreed with the Ministry of Health to incorporate in FY 2007/2008 Budget the cost of reaming works to complete the Estate*".

The representative of the Treasury informed the Committee that they have received estimated costs of completing the project from the Institute, which is over Ksh. 300 million and that the Treasury has budgeted to fund the project in three phases in 2007/2008, 2008/2009 and 2009/2010 financial years.

Noting the new assertion by the Treasury and taking cognisance of the fact that the Permanent Secretary, Ministry of Finance vide his letter of February 16, 2007 conveyed that the Treasury would provide full funds for completion of the remaining part of the project in the year 2007/2008 budget, the Committee held that it would be prudent to provide the full allocation in the financial year 2007/2008.

In the circumstances, the Committee deferred taking evidence on the paragraph until Wednesday 30th May 2007 at 3.00 p.m. when the Permanent Secretaries, Ministries of Finance and Health will be required to appear before the Committee to apprise it on: -

(i) why the Treasury is not ready to provide full funding to the project in the year 2007/2008 as per his letter of February 16, 2007; and

(ii) progress on discharge of the Title Deed on LR. No. 209/10683 by National Bank of Kenya.

MIN. NO. 385/2006/2007: **EVIDENCE: PARAGRAPH 2 OF 2005/2006 ACCOUNTS: RECEIVABLES KSHS. 44,492,873**

The Committee directed the Kenya National Audit Office to verify whether the amount of Kshs. 26, 295,200 has been remitted by the Institute's Lawyers.

MIN. NO. 386/2006/2007: **ADJOURNMENT**

And there being no other business, the Chairman adjourned the Sitting at 11.42 p.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE FORTY NINTH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO.7, PARLIAMENT BUILDINGS, ON WEDNESDAY, MAY 30TH 2007 AT 3.00 PM.

AFTERNOON SITTING

PRESENT

The Hon. J.B.N. Muturi, M.P. - **(Chairman)**
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Jimmy Angwenyi, M.P.
The Hon. George Khaniri, M.P.
The Hon. Ali Abdul Bahari, M.P.

ABSENT WITH APOLOGY

The Hon. Wycliffe Oparanya, M.P.
The Hon. Najib Balala, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. (Dr) Abdullahi Ibrahim Ali, M.P.
The Hon. (Dr.) Sammy Rutto, M.P.
The Hon. Moses Cheboi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. S.J. Njoroge	-	Third Clerk Assistant
Ms. C.S. Leparleen	-	Parliamentary Intern

CONTROLLER AND AUDITOR GENERAL

Mr. Joseph K.M. Karua	-	Director of Audit
Mr. Aaron Ouko	-	Assistant Director
Mr. Ronald Bichanga	-	Principal Auditor
Mr. Henry Manegene	-	Senior Auditor

MINISTRY OF HEALTH

Dr. Hezron Nyangito	-	Permanent Secretary
Mr. S.N. Muchiri	-	Chief Executive

MIN. NO. 387/2006/2007: EVIDENCE

Report of the Accounts of the Kenya Medical Research Institute for the year 2005/2006 Certificates thereon by the Controller and Auditor General.

Mr. Davy Koech, Chief Executive, Kenya Medical Research Institute, accompanied by Messrs: Evans M. Murayi, Finance Manager, appeared before the Committee to give evidence on Accounts of 2005/2006 of the Institute.

MIN. NO.388/2006/2007: EVIDENCE: PARAGRAPH 1 OF 2005/2006 ACCOUNTS: RESIDENTIAL STAFF HOUSING PROJECT

The Committee acknowledged the receipt of letter Ref. No. Conf.69/01 dated May 25th 2007 by the Permanent Secretary, Finance conveying that he was unable to attend the sitting.

The Permanent Secretary, Ministry of Health informed the Committee that: -

(i) the Government was committed to completing the stalled staff houses project at KEMRI and that he had consulted the Ministry of Public Works who have undertaken an evaluation of the budgetary requirements and estimated a cost of Kshs.270 million and that the project will take 11 months;

(ii) the Ministry of Health will allocate Kshs. 300 million for the project and give KEMRI the authority to commence the tendering process which is expected to take four months with commencement of actual works expected to start in November, 2007. The project is expected to be completed in September, 2008;and

(iii) since the project is expected to spill over to 2008/2009, the Ministry of Health will provide Kshs. 150 million in 2007/8 and the balance in the following year.

MIN. NO. 389/2006/2007: EVIDENCE: PARAGRAPH 2 OF 2005/2006 ACCOUNTS: RECEIVABLES KSHS. 44,492,873

The Committee was informed that the difference of Kshs.128,392.25 was indicated to have been deducted by the lawyer as connection fees.

MIN. NO. 390/2006/2007: ADJOURNMENT

And there being no other business, the Chairman adjourned the Sitting at 4.10 p.m.

Hon. J. B. N. Muturi, M.P.

Signed:.....
(Chairman)

19th June, 2007
Date:.....

MINUTES OF THE FIFTIETH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT WHITESANDS HOTEL BARAZA CONFERENCE ROOM ON MONDAY 4TH JUNE 2007 AT 9.30 A.M.

MORNING SITTING

PRESENT

Hon. J. B. N. Muturi, M.P. - Chairman
Hon. Jimmy Angwenyi, M.P.
Hon. Wafula Wamunyinyi, M.P.
Hon. Sammy Rutto, M.P.
Hon. Moses Cheboi, M.P.
Hon. George Khaniri, M.P.

ABSENT WITH APOLOGIES

Hon. (Dr.) Abdullahi Ali, M.P.
Hon. Gitau Kabogo, M.P.
Hon. Ali Bahari, M.P.
Hon. Najib Balala, M.P.
Hon. Wycliffe Oparanya, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S. J. Njoroge	-	Third Clerk Assistant
Miss Cindy Leparleen	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. Joseph Karua	-	Director of Audit
Mr. Hiram Wachira	-	Assistant Director of Audit
Mr. Sylvester Kiini	-	Director of Audit

TREASURY

Mr. John Munge	-	Accountant I

INSPECTOR GENERAL (CORPORATIONS) OFFICE

Mr. David Gichuhi - Principal Inspector

MIN NO 391/2006/2007: RECOMMENDATIONS

The Committee considered and approved the final draft recommendations as follows:-

1. **Capital Markets Authority**

   2003/2004 Accounts

   Paragraphs:-

   1.0 Staff Loans and Advances

   2004/2005 Accounts

   Paragraphs:-

   1.0 New Terms and Conditions of Service
   2.0 Staff Loans and Advances

2. **Kenya Re-Insurance Corporation**

   2004/2005 Accounts

   Paragraphs:-

   1.0 Publication of Financial Statements
   2.0 Loss on Sale of Houses – Kshs.87,983,164
   3.0 Non-Compliance with Insurance Act

3. **Kenya Dairy Board**

   1998/1999 Accounts

   Paragraphs:-

   1.0 Financial Position
   2.0 Staff Pension Fund

1999/2000 Accounts

Paragraphs:-

1.0 Financial Position
2.0 Land
3.0 Debtors and Prepayments
4.0 Unsupported Claims

2000/2001 Accounts

Paragraphs:-

1.0 Land
2.0 Debtors and Prepayments
3.0 Board of Directors Allowance

MIN NO 292/2006/2007 ADJOURNMENT

The Committee adjourned at 1.00 p.m. until 2.00 p.m. this afternoon.

AFTERNOON SITTING

PRESENT

Hon. J. B. N. Muturi, M.P. - **Chairman**
Hon. Jimmy Angwenyi, M.P.
Hon. Wafula Wamunyinyi, M.P.
Hon. Sammy Rutto, M.P.
Hon. Moses Cheboi, M.P.
Hon. George Khaniri, M.P.

ABSENT WITH APOLOGIES

Hon. (Dr.) Abdullahi Ali, M.P.
Hor Gitau Kabogo, M.P.
Hon. Ali Bahari, M.P.
Hon. Najib Balala, M.P.
Hon. Wycliffe Oparanya, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S. J. Njoroge	-	Third Clerk Assistant
Miss Cindy Leparleen	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. Joseph Karua	-	Director of Audit
Mr. Hiram Wachira	-	Assistant Director of Audit
Mr. Sylvester Kiini	-	Director of Audit

TREASURY

Mr. John Munge	-	Accountant I

INSPECTOR GENERAL (CORPORATIONS) OFFICE

Mr. David Gichuhi	-	Principal Inspector

MIN NO. 393/2006/2007 RECOMMENDATIONS

4. Kenya Sugar Board

2001/2002 Accounts

Paragraphs:-

1.0 Short Term Loans
2.0 Creditors and Accruals
3.0 Expenditure by Efficiency Monitoring Unit
4.0 Board Chairman's Out of Pocket Reimbursement
5.0 Funds Held by Former Board Officials and Staff

5. Sugar Development Fund

2001/2002 Accounts

Paragraphs:-

1.0 Short Term Loans
2.0 Loan to Companies
3.0 Loan to Kenya Sugar Board – Kshs.150,684,175

6. **Kenya Wildlife Service**

2000/2001 Accounts

Paragraphs:-

1.0 Fixed Assets
2.0 Long Term Liabilities

2001/2002 Accounts

Paragraphs:-

1.0 Taxation

2002/2003 Accounts

1.0 Fixed Assets
2.0 Debtors
3.0 Advance Payment to Contractors
4.0 Creditors Accruals and Provision – Kshs.211,728,000.
5.0 Cash and Bank Balances

7. **Higher Education Loans Board**

1998/1999 Accounts

Paragraphs:-

1.0 Memorandum of Understanding
2.0 Suspense Account

1999/2000 Accounts

1.0 Suspense Account and Cash Flow Statement

2000/2001 Accounts

1.0 Suspense Account
2.0 Debtors

8. **National Cereals and Produce Board**

1999/2000 Accounts

1.0 Operating Results
2.0 Fixed Assets
3.0 Debtors and Prepayments
4.0 Creditors and Provisions

9. **Kenya Post Office Savings Bank**

2002/2003 Accounts

Paragraphs:-

1.0 Late Submission of Financial Statements
2.0 Debtors
3.0 Deferred Assets

10. **Kenya Medical Training College**

1997/1998ccounts

Paragraphs:-

1.0 Fixed Assets
2.0 Perimeter Wall Fencing
3.0 Purchase of Foodstuffs at Nakuru MTC
4.0 Partitioning, Acoustic Padding and Purchase of Furniture

1998/1999 Accounts

1.0 Fixed Assets
2.0 Stalled Project at Kabarnet MTC
3.0 Cash and Bank Balances
4.0 Creditors and Accruals

1999/2000 Accounts

1.0 Fixed Assets
2.0 Debtors
3.0 Creditors
4.0 Procurement of Goods and Services
5.0 Cash and Bank Balance

MIN NO. 394/2006/2007 ADJOURNMENT

And there being no other business, the Committee adjourned the sitting at 6.00 p.m. until 9.00 a.m tomorrow.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE FIFTY FIRST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT WHITESANDS HOTEL BARAZA CONFERENCE ROOM ON TUESDAY 5TH JUNE 2007 AT 9.30 A.M.

MORNING SITTING

PRESENT

Hon. J. B. N. Muturi, M.P. - **Chairman**
Hon. Jimmy Angwenyi, M.P.
Hon. Wafula Wamunyinyi, M.P.
Hon. Sammy Rutto, M.P.
Hon. Moses Cheboi, M.P.
Hon. George Khaniri, M.P.
Hon. Najib Balala, M.P.

ABSENT WITH APOLOGIES

Hon. (Dr.) Abdullahi Ali, M.P.
Hon. Gitau Kabogo, M.P.
Hon. Ali Bahari, M.P.
Hon. Wycliffe Oparanya, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S. J. Njoroge	-	Third Clerk Assistant
Miss Cindy Leparleen	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. Joseph Karua	-	Director of Audit
Mr. Hiram Wachira	-	Assistant Director of Audit
Mr. Sylvester Kiini	-	Director of Audit

TREASURY

Mr. John Munge	-	Accountant I

INSPECTOR GENERAL (CORPORATIONS) OFFICE

Mr. David Gichuhi	-	Principal Inspector

MIN NO 395/2006/2007: RECOMMENDATIONS

The Committee considered and approved the final draft recommendations as follows:-

11. Investment Promotion Centre

1998/1999 Accounts

Paragraphs:-

1.0 Debtors
2.0 Irregular Payment to a Former Executive Chairman
3.0 Training Expenses
4.0 Board of Directors Meetings
5.0 Irregular Salary Adjustment

1999/2000 Accounts

Paragraphs:-

1.0 Fixed Assets
2.0 Creditors and Accruals
3.0 Debtors
4.0 Training Expenses
5.0 Insurance of Assets
6.0 Renovation of Offices after the Bomb Blast
7.0 Gratuity and Pension Costs
8.0 Lease Agreement

2000/2001 Accounts

Paragraphs:-

1.0 Fixed Assets
2.0 Land Purchase
3.0 Staff Debtors – Kshs.8,875,477
4.0 Creditors
5.0 External Travel by the Executive Chairman
6.0 Training Expenses
7.0 Terms and Conditions of Service
8.0 Fees, Commission and Honoraria
9.0 Computer Services

10.0 Consultancy Services
11.0 Renovation of Offices after the Bomb Blast
12.0 Private Expenditure

2001/2002 Accounts

1.0 Deficit for the Year
2.0 Fixed Assets
3.0 Printing of Investors Guide
4.0 Terms and Conditions of Service

2002/2003 Accounts

1.0 Financial Position
2.0 Staff Emoluments

12. Kenya Medical Research Institute

2000/2001 Accounts

Paragraphs:-

1.0 Staff Housing Project
2.0 Pension Scheme Contributions
3.0 Abandoned Project

2001/2002 Accounts

Paragraphs:-

1.0 Pension Scheme Contributions
2.0 Abandoned Project
3.0 Irregular Implementation of House Allowance.

2002/2003 Accounts

Paragraphs:-

1.0 Fixed Assets

2003/2004 Accounts

1.0 Residential Staff Housing Project

2004/2005 Accounts

1.0 Residential Staff Housing Project
2.0 Debtors – Kshs.112,430,444
3.0 Irregular House Allowances – Kshs.15,020,800
4.0 Donor Funding

2005/2006 Accounts

1.0 Residential Staff Housing Project
2.0 Receivables – Kshs.44,492,873

13. Chemelil Sugar Company

2003/2004 Accounts

Paragraphs:-

1.0 Emphasis of Matter

2004/2005 Accounts

Paragraphs:-

1.0 Emphasis of Matter

14. Export Processing Zones Authority

1999/2000 Accounts

Paragraphs:-

1.0 Debtors and Prepayments

2000/2001 Accounts

Paragraphs:-

1.0 Staff Costs
2.0 Budgetary Controller

2001/2002 Accounts

Clean Accounts

15. Kenya Utalli College

1998/1999 Accounts

Paragraphs:-

1.0 Overstatement of Income
2.0 Debtors, Deposits and Special Accounts
3.0 Fixed Assets
4.0 Irregular Payment of Sitting Allowances

1999/2000 Accounts

Paragraphs:-

1.0 Financial Performance
2.0 Loan from the Government
3.0 Fixed Assets

MIN NO 396/2006/2007 ADJOURNMENT

The Committee adjourned at 1.00 p.m. until 2.00 p.m. this afternoon.

AFTERNOON SITTING

PRESENT

Hon. J. B. N. Muturi, M.P. - **Chairman**
Hon. Jimmy Angwenyi, M.P.
Hon. Wafula Wamunyinyi, M.P.
Hon. Sammy Rutto, M.P.
Hon. Moses Cheboi, M.P.
Hon. George Khaniri, M.P.
Hon. Najib Balala, M.P.

ABSENT WITH APOLOGIES

Hon. (Dr.) Abdullahi Ali, M.P.
Hon. Gitau Kabogo, M.P.
Hon. Ali Bahari, M.P.
Hon. Wycliffe Oparanya, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S. J. Njoroge	-	Third Clerk Assistant
Miss Cindy Leparleen	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. Joseph Karua	-	Director of Audit
Mr. Hiram Wachira	-	Assistant Director of Audit
Mr. Sylvester Kiini	-	Director of Audit

TREASURY

Mr. John Munge	-	Director of Audit

INSPECTOR GENERAL (CORPORATIONS) OFFICE

Mr. David Gichuhi	-	Principal Inspector

MIN NO. 397/2006/2007 RECOMMENDATIONS

16. Agricultural Finance Corporation

2000/2001 Accounts

Paragraphs:-

1.0 Financial Position
2.0 Loan Arrears from Farmers
3.0 Fixed Assets
4.0 Unpaid Rent Arrears

2001/2002 Accounts

Paragraphs:-

1.0 Financial Position
2.0 Loan to Farmers
3.0 Professional Consultancy – Kshs.1,502,000
4.0 Irregular Payment of Medical Expenses

2002/2003 Accounts

Paragraphs:-

1.0 Loan to Farmers
2.0 Debtors
3.0 Disposal of Assets
4.0 Property Management
5.0 Irregular Payments

17. Safaricom Kenya Limited

2006 Accounts

1. Notes 17 (Intangible assets) and 25 (related party transactions) as reflected on the Financial Statements; and

2. Matter of shareholding of Safaricom Ltd.

The Committee deferred making recommendations on the matter to a later date.

18. Kenya Forestry Research Institute

1998/1999 Accounts

Paragraphs:-

1.0 Fixed Assets

1999/2000 Accounts

Paragraphs:-

1.0 Fixed Assets
2.0 Medical Scheme

2001/2002 Accounts

1.0 Fixed Assets
2.0 Medical Scheme and Allowance

19. Kenya Tourist Board

2000/2001 Accounts

Clean Accounts

2001/2002 Accounts

1.0 Financial Position

2002/2003 Accounts

1.0 Financial Position

20. Kenya National Library Services

1997/1998 Accounts

1.0 Fixed Assets
2.0 Staff Pension Fund

1998/1999 Accounts

1.0 Fixed Assets
2.0 Debtors
3.0 Personal Emoluments

1999/2000 Accounts

1.0 Fixed Assets
2.0 Proposed Extension of Kenya National Library Service Headquarters
3.0 Debtors

2000/2001 Accounts

1.0 Fixed Assets
2.0 Loss of Books – Kshs.2,383,381

2001/2002 Accounts

Clean Accounts

2002/2003 Accounts

1.0 Fixed Assets

MIN NO. 398/2006/2007 ADJOURNMENT

And there being no other business, the Committee adjourned the sitting at 7.00 p.m. until 9.00 a.m. tomorrow.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE FIFTY SECOND OF THE PUBLIC INVESTMENTS COMMITTEE HELD AT WHITESANDS HOTEL BARAZA CONFERENCE ROOM ON TUESDAY 6TH JUNE 2007 AT 9.30 A.M.

MORNING SITTING

PRESENT

Hon. J. B. N. Muturi, M.P. — Chairman
Hon. Jimmy Angwenyi, M.P.
Hon. Wafula Wamunyinyi, M.P.
Hon. Sammy Rutto, M.P.
Hon. George Khaniri, M.P.
Hon. Najib Balala, M.P.

ABSENT WITH APOLOGIES

Hon. (Dr.) Abdullahi Ali, M.P.
Hon. Gitau Kabogo, M.P.
Hon. Ali Bahari, M.P.
Hon. Wycliffe Oparanya, M.P.
Hon. Moses Cheboi, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S. J. Njoroge	-	Third Clerk Assistant
Miss Cindy Leparleen	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. Joseph Karua	-	Director of Audit
Mr. Hiram Wachira	-	Assistant Director of Audit
Mr. Sylvester Kiini	-	Director of Audit

TREASURY

Mr. John Munge	-	Accountant I

INSPECTOR GENERAL (CORPORATIONS) OFFICE

Mr. David Gichuhi	-	Principal Inspector

MIN NO 399/2006/2007: RECOMMENDATIONS

The Committee considered and approved the final draft recommendations as follows:-

21. Kenya Airports Authority

2000/2001 Accounts

Paragraphs:-

1.0 Financial Position
2.0 Terms and Conditions of Service for Managing Director and Deputy Managing Director.
3.0 Computerisation Project of Jomo Kenyatta International Conference Centre and KAA Headquarters.
4.0 Payment of Compensation
5.0 Avoidable Expenditure
6.0 Legal Fees

2001/2002 Accounts

Paragraphs:-

1.0 Financial Position
2.0 Fixed Assets

2002/2003 Accounts

Paragraphs:-

1.0 Financial Position
2.0 Fixed Assets
3.0 Nugatory Payment – Kshs.88,621,255

2003/2004 Accounts

1.0 Long Term Loan
2.0 Fixed Assets

22. Kenya National Examinations Council

2000/2001 Accounts

Paragraphs:-

1.0 Work in Progress
2.0 Debtors

2001/2002 Accounts

Paragraphs:-

1.0 Work in Progress – Mitihani House Project
2.0 Debtors

23. Nyayo Tea Zones

1996/1997 Accounts

Paragraphs:-

1.0 Financial Position
2.0 Cash and Bank Balance
3.0 Management Contract
4.0 Work in Progress
5.0 Establishment Cost
6.0 Unsupported Expenditure
7.0 Debtors, Advance and Prepayments
8.0 Amount held Imprests – 17,454,200
9.0 Clearance of Vehicles and Spare Parts – Kshs.4,802,320
10.0 Stocks

1997/1998 Accounts

Paragraphs:-

1.0 Work in Progress
2.0 Establishment Cost
3.0 Unsupported Expenditure
4.0 Car Loan by Employee
5.0 Management Contract

24. Pyrethrum Board of Kenya

1997/1998 Accounts

Paragraphs:-

1.0 Composition of the Board
2.0 Payment of Allowances to Board Members
3.0 Debtors and Prepayments
4.0 Fixed Assets – Ex Lewa Settlement Scheme

1998/1999 Accounts

Paragraphs:-

1.0 Debtors and Prepayments

1999/2000 Accounts

Paragraphs:-

1.0 Capital Work in Progress
2.0 Debtors and Prepayments

25. Kenya Broadcasting Corporation

1999/2000 Accounts

Paragraphs:-

1.0 Financial Position
2.0 Fixed Assets Register and Title Documents
3.0 Irregular Payments
4.0 Debtors

26. University of Nairobi

1999/2000 Accounts

Paragraphs:-

1.0 Financial Position
2.0 Fixed Assets
3.0 Student Debtors
4.0 Unexplained Expenditure Increases

2000/2001 Accounts

Paragraphs:-

1.0 Financial Position
2.0 Student Debtors

2001/2002 Accounts

Paragraphs:-

1.0 Financial Position
2.0 Unremitted Statutory Deductions
3.0 Student Debtors

MIN NO 400/2006/2007 ADJOURNMENT

The Committee adjourned at 1.00 p.m. until 2.00 p.m. this afternoon.

AFTERNOON SITTING

PRESENT

Hon. J. B. N. Muturi, M.P. - **Chairman**
Hon. Jimmy Angwenyi, M.P.
Hon. Wafula Wamunyinyi, M.P.
Hon. Sammy Rutto, M.P.
Hon. George Khaniri, M.P.
Hon. Najib Balala, M.P.

ABSENT WITH APOLOGIES

Hon. Moses Cheboi, M.P.
Hon. (Dr.) Abdullahi Ali, M.P.
Hon. Gitau Kabogo, M.P.
Hon. Ali Bahari, M.P.
Hon. Wycliffe Oparanya, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Ms. Phyllis Mirungu	-	Senior Clerk Assistant
Mr. S. J. Njoroge	-	Third Clerk Assistant
Miss Cindy Leparleen	-	Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

Mr. Joseph Karua	-	Director of Audit
Mr. Hiram Wachira	-	Assistant Director of Audit
Mr. Sylvester Kiini	-	Director of Audit

TREASURY

Mr. John Munge

INSPECTOR GENERAL (CORPORATIONS) OFFICE

Mr. David Gichuhi	-	Principal Inspector

MIN NO. 401/2006/2007 RECOMMENDATIONS

27. **National Water Conservation & Pipeline Corporation**

1999/2000 Accounts

Paragraphs:-

1.0 Financial Performance
2.0 Water Debtors
3.0 Repayment of Long Term Loans
4.0 Land and Buildings
5.0 Kalonzoni Water Supply Project
6.0 Water Deposits

2000/2001 Accounts

Paragraphs:-

1.0 Water Debtors
2.0 Fixed Assets
3.0 Loans Repayment

2001/2002 Accounts

Paragraphs:-

1.0 Capital Fund Account
2.0 Fixed Assets
3.0 Statutory Deductions

4.0 Water Debtors
5.0 Cash in Hand

28. Tea Board of Kenya

1997/1998 Accounts

Paragraphs:-

1.0 Irregular Payment of Allowances
2.0 Board Expenses
3.0 Unvouched Expenditure

1998/1999 Accounts

Paragraphs:-

1.0 Irregular Payment of Allowances

1999/2000 Accounts

Clean Accounts

2000/2001 Accounts

Paragraphs:-

1.0 Purchase of Property

29. Maseno University

1995/1996 Accounts

Paragraphs:-

1.0 Financial Position
.2.0 Building Works in Progress

1996/1997 Accounts

Paragraphs:-

1.0 Financial Position

2.0 Work in Progress
3.0 Loss of Cash
4.0 Car Loan Scheme

1997/1998 Accounts

1.0 Financial Position
2.0 Fixed Assets
3.0 Work in Progress
4.0 Outstanding Imprests

30. Kenya Plant Health Inspectorate Service

1998/1999 Accounts

1.0 Fixed Assets

1999/2000 Accounts

1.0 Fixed Assets
2.0 Debtors

2000/2001 Accounts

0.0 Fixed Assets

31. Kenya Institute of Administration

1997/1998 Accounts

1.0 Fixed Assets

1998/1999 Accounts

1.0 Fixed Assets
2.0 Work in Progress

1999/2000 Accounts

1.0 Fixed Assets
2.0 Sundry Debtors

32. Lake Basin Development Authority

1999/2000 Accounts

1.0 Financial Position
2.0 Fixed Assets
3.0 Contingent Liabilities
4.0 Creditors.

MIN NO. 402/2006/2007 ADJOURNMENT

And there being no other business, the Committee adjourned the sitting at 5.00 p.m. until a later date.

Hon. J. B. N. Muturi, M.P.

Signed:.....

(Chairman)

19th June, 2007

Date:.....

MINUTES OF THE FIFTY THIRD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD IN COMMITTEE ROOM NO. 7, PARLIAMENT BUILDINGS, ON TUESDAY, JUNE 19TH 2007 AT 9.50 A.M.

PRESENT

The Hon. J.B.N. Muturi, M.P. **(Chairman)**
The Hon. Ali Bahari, M.P.
The Hon. (Dr.) Sammy Rutto, M.P
The Hon. Wafula Wamunyinyi, M.P.
The Hon. Moses Cheboi, M.P.

ABSENT WITH APOLOGY

The Hon. Jimmy Angwenyi, M.P.
The Hon. (Dr.) Abdullahi I. Ali, M.P.
The Hon. Gitau Kabogo, M.P.
The Hon. George Khaniri, M.P.
The Hon. Najib Balala, M.P.
The Hon. Wycliffe Oparanya, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY

Mr. S. J. Njoroge - Third Clerk Assistant

MIN. NO. 403/2006/2007: ADOPTION OF RECOMMENDATIONS ON THE MATER OF SHAREHOLDING OF SAFARICOM

The Committee adopted its recommendations on the above-mentioned matter with amendments.

MIN. NO. 404/2006/2007: ADOPTION OF RECOMMENDATIONS ON THE MATTER OF KPA AND GRAIN BULK HANDLING

The Committee adopted its recommendations on the above-mentioned matter with amendments.

MIN. NO. 405/2006/2007: CONFIRMATION OF MINUTES

The following Minutes were confirmed by the members present and signed by the Chairman as follows:

(i) Minutes of the Thirtieth sitting held on Thursday, October 5, 2006 were proposed by Hon Jimmy Angwenyi, M.P. and seconded by Hon Gitau Kabogo.

(ii) Minutes of the Thirty First Sitting held on Thursday, October 12, 2006 were proposed by Hon. Gitau Kabogo, M.P and seconded by Hon. Hon Jimmy Angwenyi, M.P..

(iii) Minutes of the Thirty Second Sitting held on Friday, October 13, 2006 were proposed by Hon. Jimmy Angwenyi, M.P., and seconded by Hon. M. Gitau Kabogo , M.P.

(iv) Minutes of the Thirty Third Sitting held on Friday, December 5, 2006 were proposed by Hon.(Dr.) Abdullahi Ali, M.P.., and seconded by The Hon. J.B.N. Muturi, M.P.

(v) Minutes of the Thirty Fourth Sitting held on Friday, December 14, 2006 were proposed by Hon. Jimmy Angwenyi, M.P., and seconded by Hon.(Dr.) Abdullahi Ali, M.P.

(vi) Minutes of the Thirty Fifth Sitting held on Tuesday, January 30, 2007 were proposed by Hon Jimmy Angwenyi, M.P. and seconded by Hon. Wafula Wamunyinyi, M.P.

(vii) Minutes of the Thirty Sixth Sitting held on Wednesday, January 31, 2007 were proposed by Hon. Gitau Kabogo, M.P and seconded by Hon Jimmy Angwenyi, M.P..

(viii) Minutes of the Thirty Seventh Sitting held on Thursday, February 1, 2007 were proposed by Hon. Gitau Kabogo, M.P and seconded by Hon Jimmy Angwenyi, M.P..

(ix) Minutes of the Thirty Eighth Sitting held on Tuesday, February 8, 2007 were proposed by Hon.(Dr.) Abdullahi I Ali, M.P. , and seconded by Hon. (Dr.) Sammy Rutto, M.P

(x) Minutes of the Thirty Ninth Sitting held on Wednesday, February 14, 2007 were proposed by Hon. (Dr.) Abdullahi I Ali, M.P., and seconded by Hon Jimmy Angwenyi, M.P..

(xi) Minutes of the Fortieth Sitting held on Thursday, February 15, 2007 were proposed by Hon. (Dr.) Abdullahi I Ali, M.P., and seconded by Hon Jimmy Angwenyi, M.P..

(xii) Minutes of the Forty First Sitting held on Tuesday, February 20, 2007 were proposed by Hon.(Dr.) Sammy Rutto, M.P.., and seconded by Hon. Wafula Wamunyinyi, M.P

(xiii) Minutes of the Forty Second Sitting held on Wednesday, February 21, 2007 were proposed by Hon.(Dr.) Sammy Rutto, M.P.., and seconded by Hon. Jimmy Angwenyi, M.P

(xiv) Minutes of the Forty Third Sitting held on Thursday, February 22, 2007 were proposed by Hon Jimmy Angwenyi, M.P., and seconded by Hon. Wafula Wamunyinyi, M.P

(xv) Minutes of the Forty Fourth Sitting held on Tuesday, February 27, 2007 were proposed by Hon Jimmy Angwenyi, M.P., and seconded by Hon. (Dr.) Abdullahi I Ali, M.P

(xvi) Minutes of the Forty Fifth Sitting held on Monday, April 16, 2007 were proposed by Hon Jimmy Angwenyi, M.P., and seconded by Hon. Ali Bahari, M.P.

(xvii) Minutes of the Forty Sixth Sitting held on Tuesday, May 22, 2007 were proposed by Hon.Wafula Wamunyinyi, M.P, and seconded by Hon. (Dr.) Sammy Rutto, M.P.

(xviii) Minutes of the Forty Seventh Sitting held on Thursday, May 24, 2007 were proposed by Hon. Ali Bahari, M.P., and seconded by Hon. (Dr.) Sammy Rutto, M.P.

(xix) Minutes of the Forty Eighth Sitting held on Wednesday, May 30, 2007 were proposed by Hon. Ali Bahari M.P., and seconded by Hon. Wafula Wamunyinyi, M.P.

(xx) Minutes of the Forty Ninth Sitting held on Monday, June 4,2007 were proposed by Hon.(Dr.) Sammy Rutto M.P., and seconded by Hon. Wafula Wamunyinyi, M.P.

(xxi) Minutes of the Fiftieth Sitting held on Tuesday, June 5,2007 were proposed by Hon. Wafula Wamunyinyi, M.P., and seconded by Hon. Jimmy Angwenyi, M.P.

(xxii) Minutes of the Fifty First Sitting held on Wednesday, June 6,2007 were proposed by Hon. Jimmy Angwenyi, M.P., and seconded by Hon. (Dr) Sammy Rutto, M.P.; and

(xxiii) Minutes of the Fifty Second Sitting held on Tuesday, June19, 2007 were proposed by Hon. Ali Bahari M.P., and seconded by Hon. Wafula Wamunyinyi, M.P..

MIN. NO. 406/2006/2007: ADJOURNMENT.

And there being no other business, the Chairman adjourned the Sitting at 12.30 p.m. to a later date.

Signed:.....

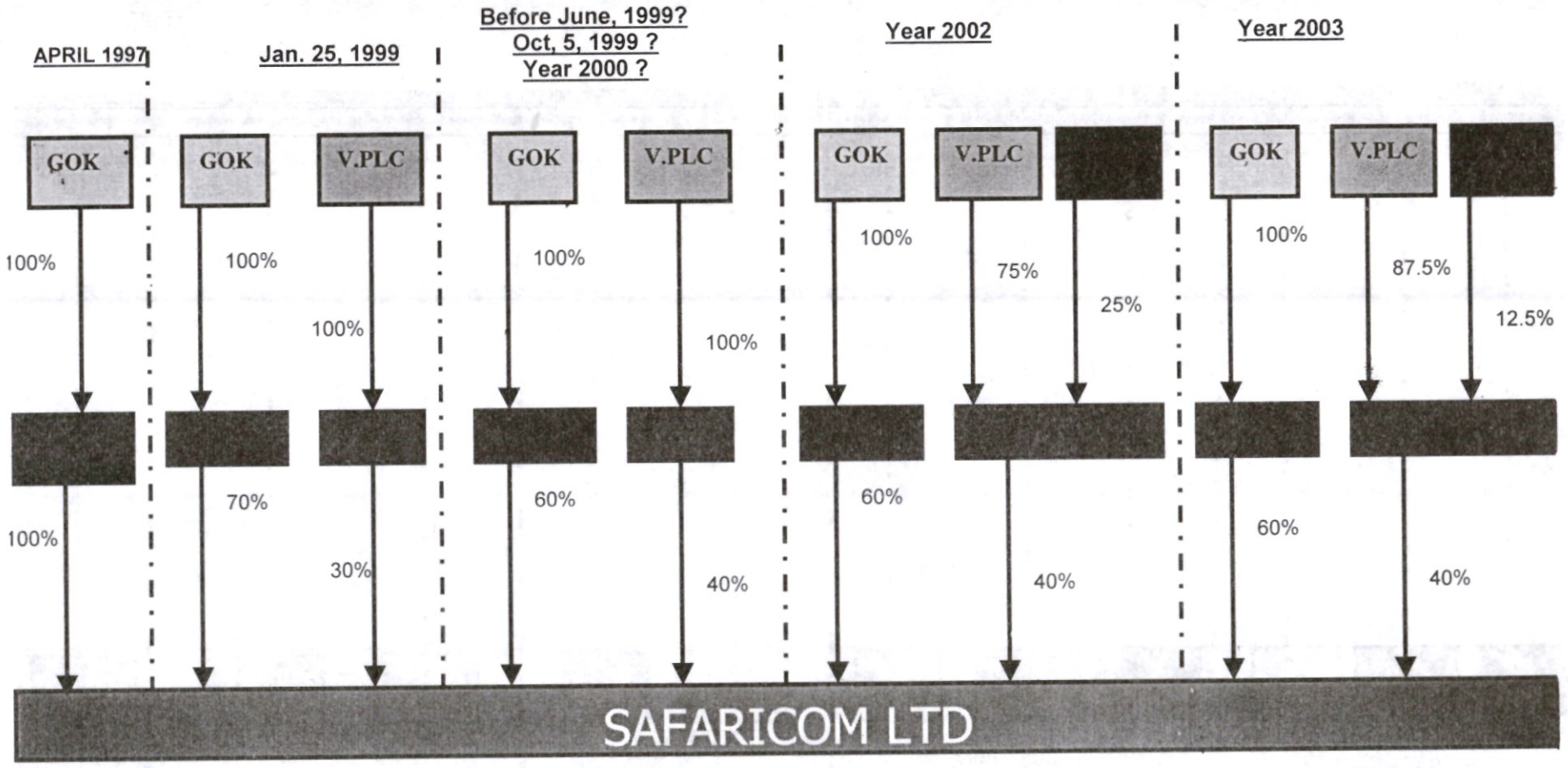
(Chairman)

Date:.....

Appendix II

SAFARICOM (K) LTD STRUCTURE

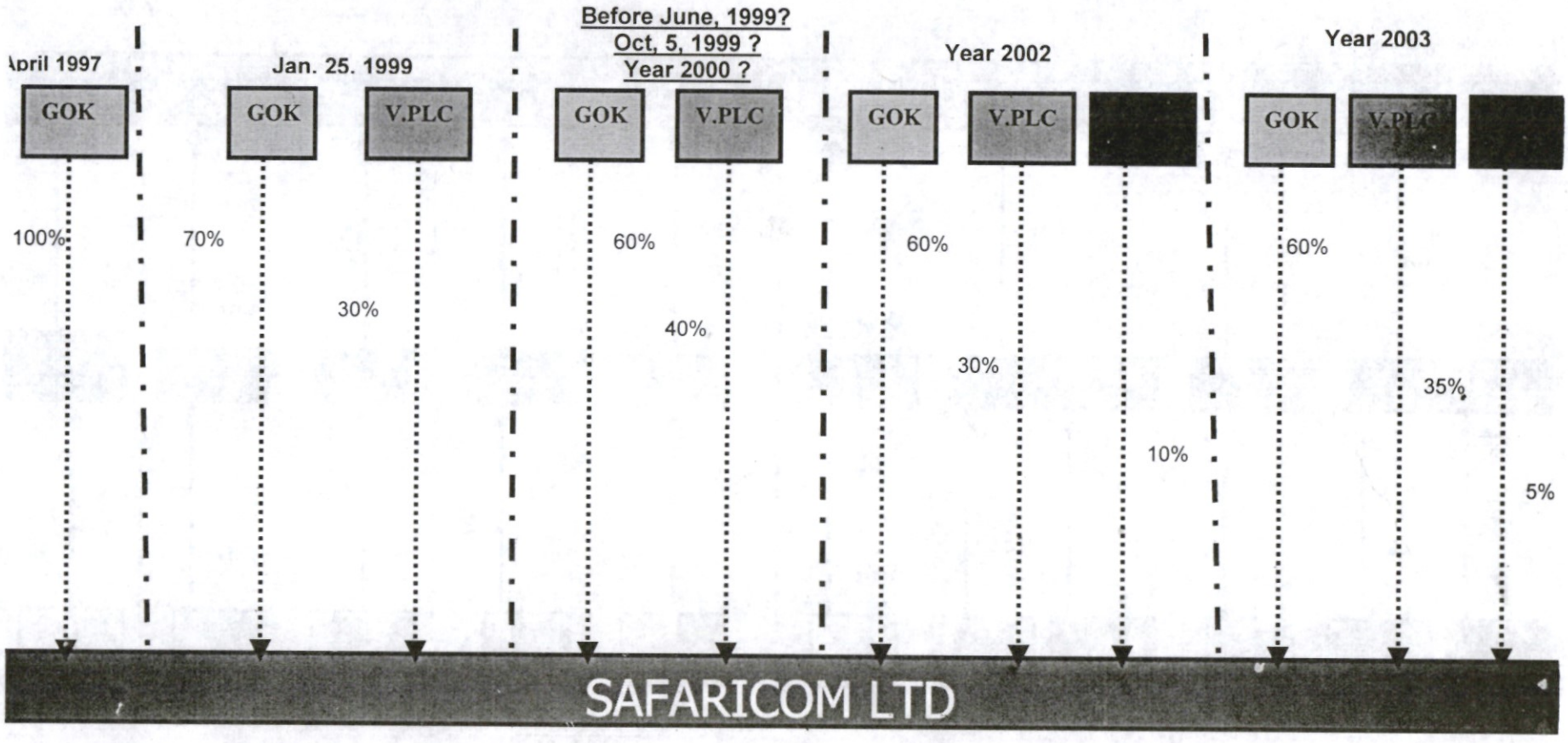
ANNEX II (A): CHANGES IN SAFARICOM OWNERSHIP (HYPOTHETICAL STRUCTURE)



Key:

GOK: Government of Kenya .
VKL: Vodafone (K) Ltd
TKL: Telkom (K) Ltd.
KP&TC: Kenya Post and Telecommunications Corporation (Defunct)
Mb.V: Mobitelea Ventures Ltd.
V.PLC: Vodafone PLC

ANNEX II (B):CHANGES IN INDIRECT CONTROL OF SAFARICOM (HYPOTHETICAL STRUCTURE)



Key:
GOK: Government of Kenya **Mb.V**: Mobitelea Ventures Ltd. **V.PLC**: Vodafone PLC

(PIC/P)/Feb, 2007)