



REPUBLIC OF KENYA

KENYA NATIONAL ASSEMBLY

Seventeenth Report

of the

Public Investments Committee on the
Accounts
of State Corporations

Volume II

2010



ANNEX I

THE TREASURY MEMORANDUM
ON THE

IMPLEMENTATION STATUS OF

THE FIFTEENTH REPORT

OF THE

PUBLIC INVESTMENTS
COMMITTEE

ON THE ACCOUNTS OF

STATE CORPORATIONS

2010

Table of Contents	Pages
1. Capital Markets Authority	1
2. Kenya Airports Authority	3
3. Kenya Reinsurance Corporation Limited	6
4. Kenya Dairy Board	9
5. Kenya Sugar Board	12
6. Sugar Development Fund	14
7. Kenya Wildlife Service	15
8. National Cereals And Produce Board	25
9. The Kenya Post Office Savings Bank.	28
10. Kenya Medical Training College	30
11. Investment Promotion Centre	38
12. Kenya Medical Research Institute	47
13. Chemelil Sugar Company Ltd	54
14. Export Processing Zones Authority	56
15. Kenya Utalii College	57
16. Agricultural Finance Corporation	59
17. Safaricom (K) Limited	64
18. Kenya Forestry Research Institute	65
19. Kenya National Library Services Board	66
20. Kenya National Examinations Council	72
21. Nyayo Tea Zones Development Corporation	73
22. Pyrethrum Board of Kenya	77
23. Kenya Broadcasting Corporation	82
24. University of Nairobi	84
25. National Water Conservation And Pipeline Corporation	88
26. Tea Board of Kenya	98
27. Maseno University College	102
28. Kenya Plant Health Inspectorate Service	104
29. Kenya Institute Administration	107
30. Lake Basin Development Authority	108

Annex II

Egypt	111 -122
India	123 - 132

INTRODUCTION

The Treasury Memorandum on the implementation status of the Fifteenth report of Public Investment Committee on the Audited Accounts of thirty State Corporations is presented herewith. This is the Fifteenth Treasury Memorandum since PIC identified Treasury to prepare and submit these reports.

The Memorandum contains the recommendations of the Committee as adopted by the Parliament on the one hand and the status of their implementation thereof on the other hand

Treasury has collaborated with Chief Executives of the concerned State Corporations as well as other relevant Government Ministries and Departments in collating the requisite information pursuant to the Committee's recommendations.

Treasury encountered various challenges in the cause of collating the information including non responses from some state Corporations/Departments, unsatisfactory responses, and delay in submitting responses.

The implementation of some of the PIC recommendations requires time given their very nature, especially where lengthy investigations are required. In view of this, we consider the requirement of Standing Order No. 183, which requires the Minister to submit a report to the House within sixty days of adoption of the report by Parliament, not realistic. We would request that Parliament reconsider this timeline.

The Fifteenth Treasury Memorandum is hereby submitted for discussion and adoption.



Joseph K. Kinyua
Permanent Secretary/Treasury

1. CAPITAL MARKETS AUTHORITY

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 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 and employs the amount to offset the outstanding debt to reduce the net exposure of the Authority;

Status:

The Chief Executive states that the Court Case filed by Mr. Melly against the Authority is still ongoing and the Authority has continued to withhold Kshs. 3,136,344 owed to the former Chief Executive as it awaits the Court's judgement. However, due to the fact that the case has been protracted, the Authority has undertaken alternative measures toward its resolution through negotiations with the plaintiff. As part of this effort, the Authority is currently engaging Mr. Melly in negotiations to determine the amounts owed by either party with a view of settling the matter out of Court.

- (ii) The Chief Executive follows the counter-claim filed by Mr. Melly and ensures that the interests of the Authority are safeguarded.

Status:

The Chief Executive states that the Authority continues to diligently pursue the counterclaim in the ongoing Court case.

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 Committee recommends that the Chief Executive seeks post facto authority from Treasury to regularise the new terms and conditions of service and the expenditure of Kshs. 3,001,166.

Status:

Chief Executive states that;

- i. In January 2004 the Authority wrote to the Permanent Secretary/Treasury seeking approval and clearance to implement a new organizational structure and staff recruitment programme. Treasury duly granted its approval via a letter referenced ZZ 38/07/C dated 11th February 2004.
- ii. Cognizant of the provisions of the Government Guidelines on Terms and Conditions of Service for State Corporations dated 23rd November 2004 which empowers the Boards and Chief Executives of State Corporations to determine the structure without referring such remuneration issues to the State Corporations Advisory Committee, the Authority proceeded to make budgetary proposals to cater for the newly approved organizational structure.
- iii. The Authority sought approval for the 2007/2008 budget which included a projected increase in the budget in relation to personnel costs and benefits from Kshs.93 million to Kshs.129 million. This was based on the above mentioned approved organizational structure and the new Terms and Conditions of Service for members of staff. The approval was granted by Treasury via a letter ref. DGIPE/A/1/10 dated April 20, 2007.
- iv. Treasury states that budget approval does not constitute an approval of Terms and Conditions of Service. The Authority has been notified of the Treasury's position vide its letter ref. CONF.268/03/A dated 15th July 2010.

2. STAFF LOANS AND ADVANCES

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 and employs the amount to offset the outstanding debt to reduce the net exposure of the Authority;

Status:

The Chief Executive states that the Court Case filed by Mr. Melly against the Authority is still ongoing and the Authority has continued to withhold Kshs. 3,136,344 owed to the former Chief Executive as it awaits the Court's judgement. However, due to the fact that the case has been protracted, the Authority has undertaken alternative measures toward its resolution through negotiations with the plaintiff. As part of this effort, the Authority is currently engaging Mr. Melly in negotiations to determine the amounts owed by either party with a view of settling the matter out of Court.

- (i) The Chief Executive follows the counter-claim filed by Mr. Melly and ensures that the interests of the Authority are safeguarded.**

Status:

The Chief Executive states that the Authority continues to diligently pursue the counterclaim in the ongoing Court case.

2. KENYA AIRPORTS AUTHORITY

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 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;

Status:

The Chief Executive states that Kenya Pipeline Co. paid fully the outstanding debt of Kshs. 83,697,599.50 on 16/6/2008

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

Status:

The Chief Executive states that Kenya Civil Aviation Authority (KCAA) requested and was provided with copies of supporting documents, which they are now verifying.

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

Status:

The Chief Executive has ensured that the Authority is in sound financial position, profitable, meets its financial obligations and remits dividends to the Government. This can be attested from the following statements;

- a. Steadily posting profits from 2003/2004 to 2008/2009 Financial Years. The profits before taxes grew from Kshs.40 million to Kshs.1.5 billion in 2003/2004 and 2008/2009 financial years respectively.

- b. The Authority has been meeting its statutory and loan obligations regularly without fail.
- c. The Authority paid a total of Kshs.130 million as dividends to the Government in 2004/2005 and 2009/2010 financial years.

**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

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;

Status:

The Chief Executive states that Kenya Pipeline Co. paid fully the outstanding debt of Kshs. 83,697,599.50 on 16/6/2008

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

Status:

The Chief Executive states that Kenya Civil Aviation Authority (KCAA) requested and was provided with copies of supporting documents, which they are now verifying.

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

Status:

The Chief Executive has ensured that the Authority is in sound financial position, profitable, meets its financial obligations and remits dividends to the Government. This can be attested from the following statements;

- a. Steadily posting profits from 2003/2004 to 2008/2009 Financial Years. The profits before taxes grew from Kshs.40 million to Kshs.1.5 million in 2003/2004 and 2008/2009 financial years respectively.
- b. The Authority has been meeting its statutory and loan obligations regularly without fail.
- c. The Authority paid a total of Kshs.130 million as dividends to the Government in 2004/2005 and 2009/2010 financial years.

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

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;

Status:

Treasury wrote to KACC vide letter ref.CONF.268/03/01 dated 28th December 2009 with a reminder dated 20th April 2010. Response is yet to be received.

- (ii) the Chief Executive pursues the matter of verification and reconciliation of the equipments 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;

Status:

- a) Treasury wrote to KACC vide letter ref.CONF.268/03/01 dated 28th December 2009 with a reminder dated 20th April 2010. Response is yet to be received.
- b) The Chief Executive commenced investigations on the matter with a view to verify and reconcile the equipments ostensibly delivered by M/s. Green Corner Restaurant. The investigations have not been concluded.
- (iii) 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.

Status:

The Chief Executive has confirmed 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

The Committee recommends that:-

- (i) the Chief Executive ensures that the Authority services its loan obligations promptly;

Status:

The CEO states that the Authority has been servicing its loan obligations promptly without fail.

- (ii) Ensures that the interests of the Authority are safeguarded in any future loan agreements.

Status:

The CEO confirms that the Authority's interests will be safeguarded in all future loan agreements.

3. KENYA REINSURANCE CORPORATION LIMITED

**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 STATEMENT

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;

Status:

The Chief Executive states that the Corporation has adhered to the Public Audit Act 2003, by ensuring that the accounts are audited by the Kenya National Audit Office. Treasury confirms that the Accounts for 2007 and 2008 were audited by the Controller and Auditor General and tabled in Parliament.

- (ii) 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
- (iii) 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.

Status:

In accordance with the Banking Act Cap 488 Section 24; ‘.. every institution shall appoint annually an auditor qualified under section 161 of the Companies Act and approved by the Central Bank, whose duty it shall be to audit and make a report upon the annual balance sheet and profit and loss account which are to be submitted to the Central Bank under section 23 (1)..’.

Further, Section 23 of the banking Act states that; ‘..An institution shall, not later than three months after the end of its financial year, submit to the Central Bank an audited balance sheet, showing its assets and liabilities in Kenya, and an audited profit and loss account covering its activities in Kenya together with a copy of the auditor's report, in the prescribed form..’.

From above, it's clear that there is a conflict between the banking and the Public Audit Act 2003 which would require harmonization.

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

The Committee recommends that the Chief Executive:

- (i) investigates the actual reasons for the said losses and takes corrective action to avoid further losses in the uncommitted Housing units; and

Status:

Apart from political pressure and manipulation that were key drivers to investment decisions leading to investment into a project like Meru Housing Scheme, further investigations reveal the following:-

- At the onset in 1991 the scheme was estimated to cost Kshs.82 million. The estimated price of the units was between Kshs. 460,000 and Kshs. 671,000 depending on the type.

- On going to tender, the total cost tendered was Kshs.122 million. This was in 1992 and the main contractor was Panafcon Engineering.
- The Contractor did not complete the project and the contract was therefore terminated.
- A new contractor N.K. Brothers Ltd took over the site at Kshs. 105,318,152.15 in 1993 to complete the project.
- An arbitration case with the Contractor Panafcon Engineering was instituted. There was also an arbitration case with the architect, Thara Consultants.
- N.K. Brothers Ltd completed the project in 1996 at a total sum of Kshs.188 million inclusive of an ex-gratia claim of Kshs.57 million due to price fluctuations and variations of Kshs.27million.
- The new selling prices escalated to between Kshs.2.0million to Kshs.2.8million as at 1997.
- Selling the houses became a challenge and in 1999 the Board decided to reduce the selling prices to between Kshs. 1.5million and Kshs. 2.5million.
- Maintenance costs increased as the houses remained unoccupied for a long time. The infrastructure including roads and drainage also deteriorated.

From the foregoing, it is evident that the loss from the housing estate could also have been caused by cost escalating arising out of disputes with the original Contractor and low sales at the desired prices. These necessitated a higher expenditure and reduction of prices.

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

Status:

Currently, all investment decisions are made based on the return and risk involved to avoid similar situations arising. As a remedial measure, the Board of Directors of the Corporation has since stopped further development of real estate using Corporation resources. Existing vacant land will only be developed in partnership with other developers with the Corporation's contributions to the projects being land only.

3. NON-COMPLIANCE WITH INSURANCE ACT

The Committee recommends that the Chief Executive:-

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

Status:

The Chief Executive states that as at the end of year 2009, the General Business Class investments in Government Securities amounted to 11% of admitted assets which is more than the required minimum of 10%. The total

investment in Government Securities was 20% of the admitted assets as at December 2009.

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

Status:

The Chief Executive states that the Corporation has compiled with Section 32 of the Insurance Act.

4. KENYA DAIRY BOARD

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

1. FINANCIAL POSITION

The Committee recommends that the Chief Executive should continue exploring and employing other avenues of generating revenue.

Status:

The Chief Executive states that, the Board's liquidity position has greatly improved since July 2000 when the Government took measures to review and gazette cess payable by milk producers from 0.2 cts to 20 cts per litre and the imposition of import levy on all dairy produce imported into the country. These legislative steps taken by the Government, together with exchequer grants boosted the financial base of the Board, enabling it to adequately meet its financial obligations without any constraints.

The Board has managed to liquidate all its outstanding liabilities including statutory payments.

2. STAFF PENSION FUND

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

Status:

The Chief Executive states that, KNAC (In receivership) had paid Kshs 4,135,270.40 leaving a balance of Kshs 963,360.00 which was paid after KNAC 2001 Ltd finalized the sale of their assets thereby clearing the balance.

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

1. FINANCIAL POSITION

The Committee recommends that the Chief Executive should continue exploring and employing other avenues of generating revenue.

Status:

The Chief Executive states that, the Board's liquidity position has greatly improved since July 2000 when the Government took measures to review and gazette cess payable by milk producers from 0.2 cts to 20 cts per litre and the imposition of import levy on all dairy produce imported into the country. These legislative steps taken by the Government, together with exchequer grants boosted the financial base of the Board, enabling it to adequately meet its financial obligations without any constraints.

The Board has managed to liquidate all its outstanding liabilities including statutory payments.

2. LAND

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

Status:

The Chief Executive states that the Commissioner of Lands is processing the title deed.

3. DEBTORS AND PREPAYMENTS

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

Status:

The Chief Executive states that the Board recovered the debts from employees amounting to Kshs 769,028 from their terminal dues.

4. UNSUPPORTED CLAIMS

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.

Status:

The Chief Executive states that, all supporting documents relating to its financial statements and/or expenses are availed to the 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 Committee recommends that the Chief Executive moves with speed and ensures that the Board secure title deeds for all its parcels of land including those in Kabete and Narok by December 31st, 2007.

Status:

The Chief Executive state that, the Commissioner of Lands is processing the title deeds

2. DEBTORS AND PREPAYMENTS

The Committee recommends that the Board employs all means possible to recover the amount of Kshs. 1,194,648.00 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.

Status:

The CEO reports that the Board recovered Kshs 3,951,594 out of Kshs. 4,317,933 leaving a balance of Kshs 541,460 which related to ex-staff members. The balance was recovered from staff members' terminal dues.

The Board has handed over the matter of Eng. Andrew Kiptoon's debt of Kshs. 88,150.00 to the Inspector of State Corporations for recovery.

5. KENYA SUGAR BOARD

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

1. SHORT TERM LOANS

The Committee recommends that: -

- (i) The Government expedites determination of the ownership status of Sukari Plaza;

Status:

The Chief Executive states that, the ownership of the Sukari Plaza issue was resolved and a title deed issued in the name of Kenya Sugar Board on 28th October, 2008.

- (ii) The Chief Executive ensures that KSB repays the SDF loan.

Status:

The Chief Executive states that, KSB is repaying the SDF loan on a regular basis and as at 30th September, 2009 the loan for construction of the Sukari Plaza had been reduced to Kshs. 97,109,838.00

2. CREDITORS AND ACCRUALS

The Committee recommends that the Chief Executive ensure that the Board remits all its tax obligations to KRA without delays.

Status:

The Chief Executive states that, the Board is now remitting all taxes including PAYE, Tax on director's sitting allowances and withholding taxes to KRA on time.

3. EXPENDITURE BY EFFICIENCY MONITORING UNIT

The Committee recommends that the Chief Executive and Inspector General (State Corporations) immediately recovers the amount of Kshs. 2,378,723 irregularly paid to the following officers of EMU.

Mr. T. 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

Status:

The Chief Executive state that, the Board wrote to each of the EMU officers through the Permanent Secretary/Secretary to the Cabinet and Head of Public Service demanding the refund of the money. The Office of the Permanent Secretary/Secretary to the Cabinet and Head of the Public Services responded pointing out that necessary approvals of the expenses had been granted and the money was not reimbursable, thus bringing the matter to an end.

4 BOARD CHAIRMAN'S OUT OF POCKET REIMBURSEMENT

The Committee recommends that the Chief Executive seeks post facto authority from the State Corporations Advisory Committee to regularize the expenditure of Kshs. 597,806 paid to the Board's Chairman as out of pocket allowance. In the event that the post facto approval is declined the Chief Executive and the Inspector General (State Corporations) should immediately therefrom institute recovery from Mr. F. Chahonyo.

Status:

The Chief Executive states that, the KSB have written to the Parent Ministry requesting post facto authority vide letter ref. KSB/C/CE/CORR/VOL.III/26 dated 22nd December, 2009.

5 FUNDS HELD BY FORMER BOARD OFFICIALS AND STAFF

The Committee recommends that: -

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

Status:

The Chief Executive states that, Mr. F. Chahonyo's debt of Kshs. 625,000 was recovered from his dues while Mr. J. Ogombo surrendered his outstanding imprest of Kshs. 1,193,607.

The cases for Mr. A. Amulyoto (Kshs. 1,260,000) and Mr. P. Kegode (Kshs. 1,139,055) are still before the Court, while that of Mr. Mark Too (Kshs.

5,920,898), a summary judgment was obtained in favour of the Board, but has since been challenged and the matter now proceeds to full hearing.

- (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.

Status:

The Chief Executive states that, the Board has since stopped issuing imprests to Board Directors and imprests issued to staff are accounted for/recovered as per set procedures.

6. SUGAR DEVELOPMENT FUND

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 Committee recommends that: -

- (i) the Chief Executive pursues recovery of the deposit through the most cost effective means;

Status:

The Chief Executive states that, the matter of recovery of the deposit is pending with the liquidation agent.

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

Status:

The Chief Executive states that, the Fund's surplus funds are now being invested in accordance with Treasury circulars. The Board has a list of banks approved by Treasury and ensures that investments are done competitively and maintains appropriate portfolio balance.

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

The Committee recommends that: -

- (i) the government expedites determination of the ownership status of Sukari Plaza; and

Status:

The Chief Executive states that, the ownership of the Sukari Plaza issue was resolved and a title issued in the name of Kenya Sugar Board on 28th October, 2008.

- (ii) the Chief Executive ensures that KSB repays the SDF loan.

Status:

The Chief Executive state that, KSB is repaying the SDF loan on a regular basis and as at the end of first quarter ending 30th September, 2009 the loan for construction of the Sukari Plaza had been reduced to Kshs.97,109,838.

7. KENYA WILDLIFE SERVICE

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

1. FIXED ASSETS

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	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

	Title No Kwale/Shimoni/493	(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
	Title No Kwale/Shimoni/494	M/s. Serious Holdings Ltd P.O Box 838 Mombasa
	Title No Kwale/Shimoni/495	
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 4/10/1979:Kiwayu - LR Nos. 13557, 17938 and 13546	Part of the Reserve given to Mr. Kassim Shahare Ali
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 About 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

		<p>(vii) John Thoya P.O Box 371 Malindi</p> <p>(viii) Francis B. Diwani P.O Box 5184, Malindi</p> <p>(ix) Josephine Wanjiku Kariuki P.O Box 371 Malindi</p> <p>(x) Martin Saro P.O Box 371 Malindi</p> <p>(xi) Francis Maritim P.O Box 30089, Nairobi</p> <p>(xii) Esther W. Maina P.O Box 30089, Nairobi</p> <p>(xiii) M/s. Salem Investments P.O Box 30089, Nairobi</p>
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.

Status:

The Chief Executive states that, the cancellation/ revocation of the title documents is the responsibility of the Commissioner of Lands. The Treasury has written to the Commissioner of Lands vide letter ref.CONF.268/03/A dated 28th December 2009 on the matter.

- (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;

Status:

The Chief Executive states that the process of carrying out surveys for purposes of acquiring titles is long and expensive. However the progress/status since 2003 is as follows:-

	Land Description	Survey Plan No. (F/R No.)	Title Registration	Title No.	Date title issued
1.	Tsavo East National Park	343/54	Processed	L.R. No. 27743 C.R. No. 46578	22/10/2009
2.	Hells Gate National Park	474/175	Processed	L.R. No. 12881/5	2008
3.	Kisumu Impala National Sanctuary	349/81	In process		Awaiting registration
4.	Ndere National Park	478/57	In process		Awaiting registration
5.	Simba Hills National Reserve		In process		Awaiting registration
6.	Watamu Marine National Park	343/20, 446/79	In process		Awaiting registration
7.	Ruma National Park	349/91	In process Deed plan No.289535	L.R. No. 28041	Awaiting registration
8.	Mandera Plot 1	Mandera Township/block 1/282	Processed	Mandera Township/block 1/282	15/04/2008
9.	Mandera plot 2	Mandera Township/block 1/235	Processed	Mandera Township/block 1/235	14/05/2008
10.	Nyeri plot	Nyeri Municipality block 1/130	Processed	Nyeri Municipality block 1/130	11/07/2006

11.	Eldama Ravine plot		Processed	L.R. No. 498/722	24/08/2006
12.	Embu Station plot	Embu Municipality/533	Processed	Embu Municipality /533	16/10/2007
13.	Sibilo	349/40	In process		2008

- (iii) 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;

Status:

The Chief Executive states that the Corporation has initiated the process of demolishing the structures around protected areas within the buffer zone (30 metres stretch after the high tide zone). However for the ones outside the protected areas, KWS is yet to create a forum involving other stakeholders to discuss the way forward.

- (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.

Status:

- (i) The Chief Executive states that investigation of the named persons was commenced.
- (ii) Further, Treasury wrote to the AG vide letter ref CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. The AG wrote to KACC vide letter ref AG/CONF/8/128 VOL V1 dated 2nd June 2010 requesting KACC to undertake investigation on the matter and submit a report for further directions.

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

Status:

The Chief Executive states that an updated fixed assets register is already in place.

2. LONG TERM LIABILITIES

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.

Status:

The Chief Executive states that the Corporation has communicated with the Ministry of Forestry and Wildlife on the matter. The Government is addressing this issue with the possibility of writing off the debt.

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

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 Transferred to: M/s. Pwani Holdings Resort Ltd P.O Box 838 Mombasa Directors: (iii) Peter Kamau Kimondo

	Title No Kwale/Shimoni/493 Title No Kwale/Shimoni/494 Title No Kwale/Shimoni/495	(iv) Fredrick Odongo Omondi M/s. Bantus Investments Limited P.O Box 838 Mombasa Directors: (iii) Peter Kamau Kimondo (iv) Fredrick Odongo Omondi 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	Mohammed Abdi Ogle P.O Box 327 Garissa

	plots title issued on parcel no. 154 title No. Garissa Township/Block 11/154 on 29/5/1998	
(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.

Status:

The Chief Executive states that, the cancellation/ revocation of the title documents is the responsibility of the Commissioner of Lands. The Treasury has written to the Commissioner of Lands vide letter ref.CONF.268/03/A dated 28th December 2009 on the matter.

- (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;

Status:

The Chief Executive states that the process of carrying out surveys for purposes of acquiring titles is long and expensive. However the progress/status since 2003 is as follows:-

	Land Description	Survey Plan No. (F/R No.)	Title Registration	Title No.	Date title issued
1.	Tsavo East National Park	343/54	Processed	L.R. No. 27743 C.R. No. 46578	22/10/2009
2.	Hells Gate National Park	474/175	Processed	L.R. No. 12881/5	2008
3.	Kisumu Impala National Sanctuary	349/81	In process		Awaiting registration
4.	Ndere National Park	478/57	In process		Awaiting registration
5.	Simba Hills National Reserve		In process		Awaiting registration
6.	Watamu Marine National Park	343/20, 446/79	In process		Awaiting registration
7.	Ruma National Park	349/91	In process Deed plan No.289535	L.R. No. 28041	Awaiting registration
8.	Mandera Plot 1	Mandera Township/block 1/282		Mandera Township/block 1/282	15/04/2008
9.	Mandera plot 2	Mandera Township/block 1/235	Processed	Mandera Township/block 1/235	14/05/2008
10.	Nyeri plot	Nyeri Municipality block 1/130	Processed	Nyeri Municipality block 1/130	11/07/2006
11.	Eldama Ravine plot			L.R. No. 498/722	24/08/2006
12.	Embu Station plot	Embu Municipality/533	Processed	Embu Municipality /533	16/10/2007
13.	Sibilo	349/40	In process		2008

- (iii) 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;

Status:

The Chief Executive states that the corporation has initiated the process of demolishing the structures around protected areas (30 metres stretch after the high tide zone) the management has. However for the ones outside protected areas, KWS is yet to create a forum involving other stakeholders to discuss the way forward.

- (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.

Status:

The Chief Executive states that investigation of the named persons was commenced.

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

Status:

The Chief Executive states that an updated fixed assets register is already in place.

2. DEBTORS

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.

Status:

The Chief Executive states that the KWS has made some provision in the accounts over the years from 2002 to 2009. However, Treasury did not agree with the provisions and has written back vide letter ref.CONF.268/03/A dated 15th July 2010 seeking more clarification on the issue.

3. ADVANCE PAYMENT TO CONTRACTORS

The Committee recommends that the Chief Executive pursues the recovery of the Kshs. 4,433,481 with the Kenya National Assurance Company 2001 Ltd.

Status:

The Chief Executive states that the corporation terminated the Contract in respect of the above mentioned payments due to lack of diligent performance by the contractor. At the time of termination, the contractor had not repaid in full the advance payment. The payment had been guaranteed by a performance bond issued by Kenya National Assurance Company Ltd.

KWS was not able to recover the amount since Kenya National Assurance Company Ltd went in liquidation.

5. CASH AND BANK BALANCES

The Committee recommends that the Service's Board of Trustees consider writing off the said loss of Kshs.1, 004,592.

Status:

The Chief Executive states that the writing off process has been initiated.

8. NATIONAL CEREALS AND PRODUCE BOARD

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

The Committee recommends that:-

- (i) the Government should approve the divesture of the Board's assets in order to transform it into a self-sustaining commercial entity; and,

Status:

The Chief Executive states that the Board of NCPB is in the process of implementing two new business concepts of introduction of a warehouse receipt system and establishment of a commodity exchange as outlined in its Strategic Plan 2009-2013.

The Board further, resolved to put on hold the asset divestiture programme. The programme will be reviewed alongside implementation of the new systems which will leverage and optimize the use of most of the existing storage facilities.

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

Status:

The Chief Executive states that the Board has put in place business risk mitigation measures which includes; cost cutting measures, value addition, diversification and strengthening the market function among others.

2.0 FIXED ASSETS

2.1 Donor Funded Facilities

2.2 Assets without Title Documents

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.

Status:

The Chief Executive states that the Board has written a letter to the Parent Ministry to effect the transfer in liaison with Ministry of Finance by giving a no objection letter to the ownership of the assets being retained by the Board. In the meantime, the Board is in possession of title deeds for most of parcels of land for which the properties are erected.

3.0 DEBTORS AND PREPAYMENTS

3.1 Trade Debtors

3.2 Staff Debtors

The Committee reiterates its 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 Ksh. 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

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.

Status:

The Chief Executive states that the Board has availed all the information to the Director of Criminal Investigations for his necessary action.

Further, Treasury wrote to Director CID vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. A response is yet to be received.

4.0 CREDITORS AND PROVISIONS

4.1 Trade Creditors

4.2 Sundry Creditors

The Committee recommends that the Chief Executive closely follows the negotiation with the National Irrigation Board with a view to ensuring that the determined debt is paid in full.

Status:

The Chief Executive states that following the appearance before PIC on 6th September 2006, the arbitration was revived again after several joint meetings organized by the Inspectorate of State Corporation to resolve this matter. Due to lack of meaningful progress towards resolution of the matter during the joint meetings, the arbitrator from the Inspectorate of State Corporation in a meeting held on 19th November, 2006, directed that both organizations submit supporting documents for their claims for perusal and onward transmission to the National Audit Office. The Board complied with this directive and upon perusal of the supporting documents submitted, the Inspector General vide his letter ref.OP.6/17A/ISC/III/26 dated 19th December 2006 requested the two corporations to submit additional supporting documents for further review. The Board once again complied with the directive and forwarded the information on 23rd February 2007.

9. THE KENYA POST OFFICE SAVINGS BANK.

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

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.

Status:

The Chief Executive states that, currently Postbank adheres to the requirements of the Public Audit Act of 2003 and is submitting the financial statements within three months after the end of each financial year.

2. DEBTORS

The Committee recommends that: -

- (i) the Chief Executive pursues recovery of the debt of Kshs.14,196,156.40 owed by former managing Director and employees;

Status:

The Chief Executive states that the debt from the former Managing Director has been recovered in full. Other Directors have either cleared or are servicing their loans, while one case is being pursued through the Court process. The Bank has recovered Kshs.7.2 million out of the Kshs.12.1 million loan outstanding as at December 2003.

- (ii) the Bank should use all means possible to recover debts held by its Credit card holders.

Status:

The Chief Executive states that, the policy on Visa Card operations is that at least 20% of the amount due and payable at the end every month is paid by 20th of the subsequent month and the balance is rolled over and recovered in subsequent months. The status of Kshs. 122,109,333.00 debt outstanding as at 31st December 2003 was as per the following analysis

a)	Active accounts (with no overdue amounts)	Kshs.	54,486,759
b)	Active accounts (with some overdue amounts)	Kshs.	6,607,213
c)	Accounts being recovered through the legal process	Kshs.	61,015,361

Total Amount Received

122,709,333

Out of the Kshs. 61,015,361 that was being recovered through the legal process, Kshs.23.2 million has been recovered while recovery of Kshs.37 million is still being pursued through Courts of law.

The bank has improved the Visa Card application policy, installed an improved debt tracking system and has engaged the services of debt collectors.

3. DEFERRED ASSETS

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;

Status:

Managing Director states that, the management of the bank has improved and is being run on sound business principles and prudent commercial practices.

- (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 and not in instances where such losses are occasioned by inefficiencies and/or mismanagement.

Status:

On the amendments of section 8(1) and 13(1) of the KPOSB Act CAP 493 (B), proposals are with the Ministry of Finance. Discussions on the restructuring of Postbank are ongoing.

10. KENYA MEDICAL TRAINING COLLEGE

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

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 22 nd August 2000)	Lands No.	File	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 22 nd August 2000)	Lands No.	File	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.

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

Status:

Treasury wrote to Kenya Medical Training College vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. By the time of compiling the report, the corporation had not submitted their status.

2. PERIMETER WALL FENCING

The Committee recommends that: -

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

Status:

Treasury wrote to Kenya Medical Training College vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. By the time of compiling the report, the corporation had not submitted their status.

4. PARTITIONING, ACOUSTIC PADDING AND PURCHASE OF FURNITURE

The Committee recommends that the Chief Executive:-

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

- (ii) ensures that the supplier delivers the undelivered items by December 31st, 2007; and
- (iii) ensure that procurement of goods and services at the Authority is done in accordance with the Public Procurement Disposal Act, 2005.

Status:

Treasury wrote to Kenya Medical Training College vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. By the time of compiling the report, the corporation had not submitted their status.

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

The Committee recommends that:-

- (i) the officers of the College who failed to take the necessary action to have the vehicles retrieved be held responsible and be surcharged by the Inspector General of State Corporations; and,
- (ii) the Ministry of Health surrenders logbooks for the 39 vehicles.

The Committee further recommends that:

- (i) the Director of Kenya Medical 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 22 nd 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
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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 (Plot G)	185788/28	-	Tea Zone Properties and Saiwa View Inv. Ltd. Box 62810 Nairobi: Directors-	-

			Mr. Chris Owanda and Mr. Patrick Osero	
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- (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.

Status:

Treasury wrote to Kenya Medical Training College vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. By the time of compiling the report, the corporation had not submitted their status.

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

The Committee recommends that the Permanent Secretaries Ministries of Health and Roads and 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 “as-is” basis and be discharged;
- (ii) the project is completed in practical 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 within reasonable time.

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 Investigation institutes investigation on the manner in which the Kabarnet MTC

project was awarded, executed, contract fee varied and excessive payments made with view to taking appropriate action.

Status:

Treasury wrote to Kenya Medical Training College vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. By the time of compiling the report, the corporation had not submitted their status.

3. CASH AND BANK BALANCES

4. CREDITORS AND ACCRUALS

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

Status:

Treasury wrote to Kenya Medical Training College vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. By the time of compiling the report, the corporation had not submitted their status.

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

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 22 nd 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
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	-
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- (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.

Status:

Treasury wrote to Kenya Medical Training College vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. By the time of compiling the report, the corporation had not submitted their status.

2. DEBTORS

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 on the Chairmanship of the Ministry of Health and comprising (and not limited to), representative of the Ministry of Finance 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.

Status:

Treasury wrote to Kenya Medical Training College vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010.

By the time of compiling the report, the corporation had not submitted their status.

3. CREDITORS

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

Status:

Treasury wrote to Kenya Medical Training College vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. By the time of compiling the report, the corporation had not submitted their status.

4. PROCUREMENT OF GOODS AND SERVICES

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.

Status:

Treasury wrote to Kenya Medical Training College vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. By the time of compiling the report, the corporation had not submitted their status.

11. INVESTMENT PROMOTION CENTRE

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 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.

Status:

The Chief Executive states that the case is still pending in Court.

2. IRREGULAR PAYMENTS TO A FORMER EXECUTIVE CHAIRMAN

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

Status:

The Chief Executive states that the case is still pending in Court.

- (ii) the Inspector General (Corporations) institutes recovery 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.

Status:

Treasury wrote to Inspector General vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010.

In his letter Ref. No. OPM.14/22A/ISC/IV dated 23rd July 2010 the Inspector-General (Corporations) states that he has assigned one of his Inspectors the task of investigating the matter to establish the identity of the ex-board members responsible. Surcharge action will be taken thereafter.

3. TRAINING EXPENSES

The Committee recommends that the expenditure of Kshs.224,450 irregularly expended on the management consultancy contract be recovered from then Executive Chairman of the Centre and Mr. Clement Kanyangoda.

Status:

The Chief Executive states that Dr. Ng'ok's and Mr. Clement Kanyangoda's cases are pending in Court.

4. BOARD OF DIRECTORS MEETINGS

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

Status:

The Chief Executive states that the Kenya Investment Authority's Board conducts its meetings according to the law.

5. IRREGULAR SALARY ADJUSTMENT

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 salary adjustments.

Status:

The CEO confirms vide letter Ref. KenInvest/FA/1/24 dated 22nd July, 2010 that the Post Facto Authority was sought and granted by the Ministry of Trade vide letter ref. MOTI/CONF.6/9/01 VOL.1K/29 dated 27th March 2008.

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

Status:

The Chief Executive states that Kenya Investment Authority currently adheres to the provisions of the Procurement and Disposal Act, 2005 in procurement/disposal of goods/services.

2. CREDITORS AND ACCRUALS

The Committee recommends that the Chief Executive:-

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

Status:

The Chief Executive states that the Centre has since reorganized its Accounts Department and put in place mechanism to ensure that credit ledgers and other accounting documents are properly maintained.

- (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.

The Chief Executive confirms that the authority adheres to the Procurement and Disposal Act, 2005 in procurement/disposal of goods and services.

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

2. LAND PURCHASE

The Committee recommends that, the Inspector General (State 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

Status:

- i. The Chief Executive states that Dr. Ng'ok's case is pending in Court.
- ii. Treasury wrote to Inspector General vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. By the time of compiling the report, the Inspector General had not submitted their status.

3. STAFF DEBTORS – KSHS.8,875,477

The Committee recommends that:-

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

Status:

The Chief Executive states that the Centre has since reorganized its Accounts Department and put in place mechanism to ensure that credit ledgers and other accounting documents are properly maintained.

- (ii) the Chief Executive pursues the Court case filed by Dr J. Ng'ok and ensures that the interests of the Centre are safeguarded.

Status:

The Chief Executive states that Dr. Ng'ok's case is still pending in Court.

4. CREDITORS

The Committee recommends that the Chief Executive:-

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

Status:

The Chief Executive states that the Centre has since reorganized its Accounts Department and put in place mechanism to ensure that credit ledgers and other accounting documents are properly maintained.

- (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.

Status:

The Chief Executive states that The Government has since funded the Centre (Authority) to clear the outstanding pension contributions.

6. TRAINING EXPENSES

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 Mr. Clement Kanyangoda;

Status:

The Chief Executive states that Dr Ngok's and Clement's cases are pending in Court

- (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.

Status:

The Chief Executive states that the Authority now adheres to the provision of the Procurement and Disposal Act, 2005 in procuring/disposing its goods/services.

7. TERMS AND CONDITIONS OF SERVICE

The Committee recommends that Chief Executive seek post facto authority to regularize 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 unapproved Terms, and Conditions of Service.

Status:

The Chief Executive states that the Corporation has written seeking post facto authority for regularizing the expenditure.

However post facto authority cannot be granted for subsistence allowance and it is proposed that the over expenditure be recovered from respective officers.

The CEO confirms vide letter Ref. KenInvest/FA/1/24 dated 22nd July, 2010 that the post facto authority was sought and granted by the Ministry of Trade vide letter ref. MOTI/CONF.6/9/01 VOL.1K/29 dated 27th March 2008.

8. FEES, COMMISSION AND HONORARIA

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

Status:

The Chief Executive states that the Corporation has written to Inspectorate for the recovery of the Kshs 380,000.

Treasury wrote to Inspector General vide letter ref no. CONF 268/03/1 dated 15th July 2010 on the matter. By the time of compiling the report, the Inspector General had not submitted their status.

In his letter Ref. No. OPM.14/22A/ISC/IV dated 23rd July 2010 the Inspector-General (Corporations) states that he has assigned one of his Inspectors the task of investigating the matter to establish the identity of the ex-board members responsible. Surcharge action will be taken thereafter.

9. COMPUTER SERVICES

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;

Status:

Treasury wrote to the Director of CID vide letter ref No. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. No response had been received by the time of compiling the report.

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

Status:

The Chief Executive states that the Corporation is following all the Public Procurements and Disposal Act in the procurement and disposal of goods/services.

10. CONSULTANCY SERVICES

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

Status:

The Chief Executive states that the Corporation has written to Inspectorate for the recovery of the said amount.

11. RENOVATION OF OFFICES AFTER BOMB BLAST

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

Status:

The Chief Executive wrote to CID who forwarded the matter to KACC. Further, Treasury wrote to Director CID vide letter ref No. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010 and response is yet to come. The matter is currently with KACC.

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

Status:

The CEO states that the Corporation is following all the Public Procurements and Disposal Act.

12. PRIVATE EXPENDITURE

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

Status:

The Chief Executive states that the Corporation has written to Inspectorate General for the recovery of the said amount. Similarly Treasury wrote to Director Inspector General vide letter ref No. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. No response had been received by the time of compiling the report.

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

1. TERMS AND CONDITIONS OF SERVICE

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 unapproved Terms and Conditions of Service.

Status:

The Chief Executive states that the Corporation has written seeking post facto authority for regularizing the expenditure which has been granted.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF INVESTMENT PROMOTION CENTRE FOR THE YEAR ENDED 30 JUNE 2003

1. STAFF EMOLUMENTS

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 unapproved Terms, and Conditions of Service.

Status:

The Chief Executive states that the Corporation has written to the Parent Ministry seeking post facto authority for regularizing the expenditure and approval has been granted.

12. KENYA MEDICAL RESEARCH INSTITUTE

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

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;

Status:

The Chief Executive states that the amount was factored in the budget estimates for the financial years 2007/2008 and 2008/2009 as per the committee's recommendations.

- (ii) the Ministry of Health takes the lead in the overall management of the project;

Status:

The Chief Executive states that the Ministry of Public Works has taken the lead in the overall management of the project. Phase I of the project, comprising of 21 maisonettes and 1 block of 8 units, has been completed and members of staff have already occupied the completed units. The tendering process for Phase II has commenced and the construction work is expected to commence thereafter.

- (iii) in line with recommendations (i) above, the government ensures that the National Bank of Kenya discharges the plot of L.R. 209/10683;

Status:

The Chief Executive confirms that the Title Deed for the Plot L.R/209/10683 is still being held by the National Bank of Kenya. However the debt has been fully settled by the Government and Treasury is following up the matter with the bank to ensure that the title deed is released.

- (iv) the Chief Executive ensures that the Institute reintroduces the Plot of L.R. 209/10683 in its assets as soon as practicable possible;

Status:

The value of the plot has not been introduced in the Asset Register as the title deed has not yet been released to the Institute.

- (v) the Commissioner of Police and the Director of Kenya Anti-Corruption Commission expedite 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.

Status:

Treasury wrote to Director of KACC vide letter ref No. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010 and response is yet to be received.

2. PENSION SCHEME CONTRIBUTIONS

The Committee recommends that the Chief Executive continue pursuing settlement of the balance with the Kenya National Assurance Co. (2001) Ltd.

Status:

The Chief Executive states that KNAC 2001 Ltd has since settled the outstanding payment

3. ABANDONED PROJECT

Noting the amount of funds already put in the project by the two Institutes, the Committee recommends that the Treasury provides requisite funding to the two Institutes to enable them complete the project.

Status:

The Chief Executive states that KEMRI has negotiated with other partners who had a stake on the hitherto jointly owned parcel of land (Alupe Sub-District Hospital, KETRI, and Moi University). KEMRI has been allocated approximately 100 acres of this land, and the Institute has commenced the process of surveying the plot to facilitate eventual issuance of a separate Title Deed in the name of KEMRI.

The Institute is currently compiling the cost of rehabilitating all structures situated on the parcel of land it has been allocated, including the eight (8) incomplete units captured in the two audited reports.

**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

The Committee recommends that the Chief Executive continue pursuing settlement of the balance with the Kenya National Assurance Co. (2001) Ltd.

Status:

The Chief Executive states that KNAC 2001 Ltd has since settled the outstanding payment.

2. ABANDONED PROJECT

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.

Status:

The Chief Executive states that KEMRI has negotiated with other partners who had a stake on the hitherto jointly owned parcel of land (Alupe Sub-District Hospital, KETRI, and Moi University). KEMRI has been allocated approximately 100 acres of this land, and the Institute has commenced the process of surveying the plot to facilitate eventual issuance of a separate Title Deed in the name of KEMRI

The Institute is currently compiling the cost of rehabilitating all structures situated on the parcel of land it has been allocated, including the eight (8) incomplete units captured in the two audited reports.

3. IRREGULAR IMPLEMENTATION OF HOUSE ALLOWANCE

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.

Status:

The Chief Executive states that The Institute has since harmonized the house allowances payable to its members of staff, to reflect the requirements of the Office of the President's Circular OP/18/2/1A w.e.f November 2007.

**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 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;

Status:

The Chief Executive states that the amount was factored in the budget estimates for the financial years 2007/2008 and 2008/2009 as per the Committee's recommendations.

- (ii) the Ministry of Health takes the lead in the overall management of the project;

Status:

The Chief Executive states that the Ministry of Public Works has taken the lead in the overall management of the project. Phase I of the project, comprising of 21 maisonettes and 1 block of 8 units, has been completed and members of staff have already occupied the completed units. The tendering process for Phase II has commenced and the construction work is expected to commence thereafter.

- (iii) in line with recommendations (i) above, the government ensures that the National Bank of Kenya discharges the plot of L.R. 209/10683;

Status:

The Chief Executive confirms that the Title Deed for the Plot L.R./209/10683 is still being held by the National Bank of Kenya. However the debt has been fully settled by the Government and Treasury is following up the matter with the bank to ensure that the title deed is released.

- (iv) the Chief Executive ensures that the Institute reintroduces the Plot of L.R. 209/10683 in its assets as soon as practicable possible;

Status:

The value of the plot has not been introduced in the Asset Register as the Title Deed has not yet been released to the Institute.

- (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.

Status:

Treasury wrote to Director of KACC vide letter ref No. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010 and response is yet to be received.

**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 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;

Status:

The Chief Executive states that the amount was factored in the budget estimates for the financial years 2007/2008 and 2008/2009 as per the committee's recommendations.

- ii. the Ministry of Health takes the lead in the overall management of the project;

Status:

The Chief Executive states that the Ministry of Public Works has taken the lead in the overall management of the project. Phase I of the project, comprising of 21 maisonettes and 1 block of 8 units, has been completed and members of staff have already occupied the completed units. The tendering process for Phase II has commenced and the construction work is expected to commence thereafter.

- iii. in line with recommendations (i) above, the government ensures that the National Bank of Kenya discharges the plot of L.R. 209/10683;

Status:

The Chief Executive confirms that the Title Deed for the Plot L.R./209/10683 is still being held by the National Bank of Kenya. However the debt has been fully settled by the Government and Treasury is following up the matter with the bank to ensure that the title deed is released.

- iv. the Chief Executive ensures that the Institute reintroduces the Plot of L.R. 209/10683 in its assets as soon as practicable possible;

Status:

The value of the plot has not been introduced in the asset register as the title deed has not yet been released to the Institute.

- 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.

Status:

Treasury wrote to Director of KACC vide letter ref No. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010 and response is yet to be received.

3. IRREGULAR HOUSE ALLOWANCES – KSHS.15,020,800

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.

Status:

The Chief Executive states that the Institute has since harmonized the house allowances payable to its members of staff, to reflect the requirements of the Office of the President's Circular OP/18/2/1A w.e.f November 2007.

4. DONOR FUNDING

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.

Status:

The Chief Executive states that, he avails 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

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;

Status:

The Chief Executive states that the amount was factored in the budget estimates for the financial years 2007/2008 and 2008/2009 as per the committee's recommendations.

- ii. the Ministry of Health takes the lead in the overall management of the project;

Status:

The Chief Executive states that the Ministry of Public Works has taken the lead in the overall management of the project. Phase I of the project, comprising of 21 maisonettes and 1 block of 8 units, has been completed and members of staff have already occupied the completed units. The tendering process for Phase II has commenced and the construction work is expected to commence thereafter.

- iii. in line with recommendations (i) above, the government ensures that the National Bank of Kenya discharges the plot of L.R. 209/10683;

Status:

The Chief Executive confirms that the Title Deed for the Plot L.R/209/10683 is still being held by the National Bank of Kenya. However the debt has been fully settled by the Government and Treasury is following up the matter with the bank to ensure that the title deed is released.

- iv. the Chief Executive ensures that the Institute reintroduces the Plot of L.R. 209/10683 in its assets as soon as practicable possible;

Status:

The value of the plot has not been introduced in the Asset Register as the title deed has not yet been released to the Institute.

- 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.

Status:

Treasury wrote to Director of KACC vide letter ref No. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010 and response is yet to be received.

13. CHEMELIL SUGAR COMPANY LTD

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE CHEMELIL SUGAR COMPANY LTD AS AT 30 JUNE 2004

The Committee recommends that:-

- (i) the management puts in measures to ensure that the Company maintains profitability and pays cane suppliers promptly;

Status:

The Chief Executive states that the Company's profitability was affected by factors such as cane price, cane availability and production costs. To address the above constraints, the Company has:-

- Undertaken an aggressive cane development program to improve cane availability and in the subsequent years, there has been sufficient cane.
- Reliance on KPLC and breakdown of power source turbine contributed to increase in production costs. The company is in the process of procuring a turbo alternator and is scheduled for commissioning soon.

In addition, CEO confirms that, Kenya Sugar Board (KSB) advanced the Company a loan totaling Kshs.391 million towards repayment of farmers' arrears and farmers are being paid monthly for cane deliveries.

- (ii) **Kenya Sugar Board releases a balance of Kshs.35 million to enable it undertake factory rehabilitation.**

Status:

The Chief Executive states that KSB released the balance of Kshs.95 million factory rehabilitation loan in November 2006.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE CHEMELIL SUGAR COMPANY LTD AS AT 30 JUNE 2005

The Committee recommends that:-

- (i) the management puts in measures to ensure that the Company maintains profitability and pays cane suppliers promptly;

Status:

The Chief Executive states that the company's profitability was affected by factors such as cane price, cane availability and production costs. To address the above constrains, the Company has;-

- Undertaken an aggressive cane development program to improve cane availability and in the subsequent years, there has been sufficient cane.
- Reliance on KPLC and breakdown of power source turbine contributed to increase in production costs. The company is in the process of procuring a turbo alternator and is scheduled for commissioning soon.

In addition, CEO confirms that, Kenya Sugar Board (KSB) advanced the Company a loan totaling Kshs.391 million towards repayment of farmers' arrears and farmers are being paid monthly for cane deliveries.

- (ii) **Kenya Sugar Board releases a balance of Kshs. 35 million to enable it undertake factory rehabilitation.**

Status:

The Chief Executive states that KSB released the balance of Kshs.95 million factory rehabilitation loan in November 2006.

14. EXPORT PROCESSING ZONES AUTHORITY

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 Committee recommends that the Chief Executive:-

- (i) employs all cost effective means possible to recover the outstanding rent arrears;

Status:

The Chief Executive states that to avoid further accumulation of operating debts, the Authority has since instituted a debt collection policy which stipulates that debts accumulated beyond 120 days will be passed to an official debt collector who will collect the debt on behalf of the Authority at a commission of 10% for amount acknowledged and received by the Authority.

- (ii) Institutes measures to ensure that tenants do not default in paying rent.

Status:

The Chief Executive states that the Authority is now in the process of amending the lease agreements to provide a clause regarding outstanding debt and that any collection expenses will be borne by the debtor.

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

The Committee recommends that all future increases in salaries should be done in accordance with Section 27 (1) (c) of State Corporations Act, Cap 446.

Status:

The Chief Executive states that the Authority confirms that it operates in accordance with the State Corporations Act Cap 446 section 271 as recommended by the Parliamentary Investment Committee.

2. BUDGETARY CONTROL

The Committee recommends that the Chief Executive seek post-facto approval for the over-expenditure of Kshs. 48,715,391.

Status:

Budgetary approval should be sought before expenditure is incurred.

Treasury vide letter ref no. CONF 268/03/1 dated 15th July 2010 wrote to the Authority advising them to seek post facto approval for over expenditure of Kshs. 48,715,391.

15. KENYA UTALII COLLEGE

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

1. FIXED ASSETS

The Committee recommends that the Chief Executive expeditiously pursues issuance of title deeds plot L.R. No.20766, Thika Road on which Utalii College and Hotel are situated.

Status:

The Principal states the Title Deed for plot L.R. No.20766 has been received.

4. IRREGULAR PAYMENT OF SITTING ALLOWANCES

The Committee recommends that the Inspector General (Corporations) effect 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):-

Name	Office/Designation	Irregular sitting Allowance Paid
J.J. Mwai	Deputy Secretary, Ministry of Tourism & 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
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Status:

The Principal states that he has communicated to the Inspectorate General to effect the recovery of Kshs 64,000 from the concerned officers as per his letter ref. KUC/8/1(238) dated 28th January, 2010.

Treasury wrote vide letter ref. CONF 268/03/A dated 28th December 2009 and reminder dated 20th April 2010.

In his letter Ref. No. OPM.14/22A/ISC/IV dated 23rd July 2010 the Inspector-General (Corporations) states that the State Corporations Act, Cap 446 was amended through State Law Miscellaneous Amendment Act of 2002 allowing all public servants attending Board meetings to receive sitting allowance and advised that the amount be waived.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA UTALII COLLEGE FOR THE YEAR ENDED 30 JUNE 2000.

1. FINANCIAL PERFORMANCE

- (i) The Committee recommends that the government converts the loan of Kshs. 140 million owing from Kenya Utalii College into a grant.

Status:

The issue is being addressed by the Government.

- (ii) The Committee further recommends that the College's Board explore alternative ways of raising funds.

Status:

The Principal states that the Board has diversified the College's sources of funds to include:- Introduction of part-time courses, Introduction of self-sponsored programmes and commercialization of the laundry services. As a result of these measures, internally generated revenue has increased from Kshs 107,562,092 in 1999/2000 financial year to Kshs 326,383 in 2008/2009.

2. LOAN FROM THE GOVERNMENT OF KENYA

The Committee recommends that the government convert the loan of Kshs. 140 million owing from Kenya Utalii College into a grant.

Status:

The issue of converting the loan of Kshs 140 million is being addressed by the Government.

3. FIXED ASSETS

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.

Status:

The Principal states that the Title Deed for plot L.R. No.20766 has been received.

16. AGRICULTURAL FINANCE CORPORATION

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

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;
- (ii) the Chief Executive ensures that the Corporation is self-sustaining.

Status:

The Chief Executive states that the sessional paper No. 1 of 2002 on the financial restructuring of the Corporation was fully implemented as follows;

- (i) Write off of loans owing to AFC from farmers amounting to Kshs. 2.938 billion were written off in AFC books in 2002/2003 Financial Year.
- (ii) Loans recommended for write off in Government books amounting to Kshs. 753.7 million. Both AFC and GOK books have been adjusted accordingly.
- (iii) Other GOK and CSFC loans which are irrecoverable, amounts to Kshs, 7.732 billion were adjusted in AFC books in 2002/2003 Financial Year.
- (iv) Amount to be converted to equity amounting to Kshs. 1.388 billion; AFC converted the amount in its books in 2002/2003 Financial Year.
- (v) Amount to be retained as loans to AFC from GOK amounting to Kshs. 468.5 million; AFC recognized the amount in its books in 2002/2003 financial Year.

- (vi) Capital injection of Kshs 1.302 billion; In fulfilment of its obligation the Government injected Kshs.1.3 billion in five years between March 2003 and January 2007.

2. FIXED ASSETS

The Committee recommends that the Chief Executive expeditiously pursues issuance of ownership documents for its parcels of land at Bomet and Kerugoya that were donated by the respective local authorities.

Status:

The Chief Executive confirms that the title deed for its parcels of Land in Bomet has been issued. The parcel of land at Kerugoya was taken away by the Judiciary and AFC is in the process of being allocated another one.

4. UNPAID RENT ARREARS

The Committee recommends that the Chief Executive closely follow the case against M/s. Lustman & Company and ensures that the agent pays unremitted rent in respect of Development House.

Status:

The Chief Executive is still closely following up the case against the property agent. Case no. HCCC 134 of 2004 is still in Court and unresolved. The case was heard in February 2010 and was stood over generally to enable the two parties negotiate. Negotiations are on-going.

REPORT OF CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF AGRICULTURAL FINANCE CORPORATION FOR THE YEAR ENDED 30 JUNE, 2002

1. FINANCIAL POSITION

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.

Status:

The Chief Executive states that the sessional paper No. 1 of 2002 on the financial restructuring of the Corporation was fully implemented as follows;

- (i) Write off of loans owing to AFC from farmers amounting to Kshs. 2.938 billion were written off in AFC books in 2002/2003 Financial Year.
- (ii) Loans recommended for write off in Government books amounting to Kshs. 753.7 million. Both AFC and GOK books have been adjusted accordingly.
- (iii) Other GOK and CSFC loans which are irrecoverable amounts to Kshs, 7.732 billion were adjusted in AFC books in 2002/2003 Financial Year.
- (iv) Amount to be converted to equity amounting to Kshs. 1.388 billion; AFC converted the amount in its books in 2002/2003 Financial Year.
- (v) Amount to be retained as loans to AFC from GOK amounting to Kshs. 468.5 million; AFC recognized the amount in its books in 2002/2003 financial Year.
- (vi) Capital injection of Kshs 1.302 billion; In fulfilment of its obligation the Government injected Kshs.1.3 billion in five years between March 2003 and January 2007.

2. **PROFESSIONAL CONSULTANCY KSHS.1,502,000**

The Committee recommends that:-

- (i) the Inspector General (Corporations), surcharges Mr. Gideon Toroitich, the former chief executive of ADC the amount of Ksh. 1,501,950.15 expended through the irregular appointment of M/s. Mungi Consultants;

Status:

The Chief Executive confirms that the matter was referred to the Inspector General (Corporations) for determination and issuance of the surcharge notice.

Treasury wrote to the Inspector General vide letter ref. CONF 268/03/A dated 28th December 2009 a reminder dated 20th April 2010.

In his letter Ref. No. OPM.14/22A/ISC/IV dated 23rd July 2010 the Inspector-General (Corporations) has stated that he is in the process of taking surcharge against the former Chief Executive Officer, Mr. Gideon Toroitich.

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

Status:

AFC confirms that the procurement of goods and services is now done in accordance with the public Procurement & Disposal act 2005.

**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

The Committee recommends that: -

- (i) the Chief Executive of AFC 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; and
- (ii) the Chief Executive forwards a report to this Committee by 30th June 2008, indicating progress on implementation of recommendations (i) above.

Status:

The CEO of AFC has submitted a table on the status of loan repayments as below:-

Name of the Company	Ex-staff name and position held	Directors	L/Balance as at 30.01.06 (ksh)	Payments at 06.09.06 (Kshs)	Remark
1.Rijman Co. Ltd	Mary Onyango (Ag. Financial Controller)	R.O Onyango (Mrs) & J. Onyango (Mrs)	35,631,607.03	804,000	The security property is due for sale by Public action on 20.05.10
2.Nirosim Farm	Nicholas simani (principal sports complex langata)	Nicholas simani & Rose simani	14,360,868.53	9,910,000	The property was sold by public Auction on 9.06.08.
3. emkwen pharmacy	Silas kiplangat (loan officer)	Silas kiplangat & mary kiplangat	9,978,384.44	2,931,364	Auction scheduled for 13.10.08 was suspended as the client made some payment and an acceptable repayment

						proposal.
Nguru Munyiri Co. Ltd	Michael M. Gichuki (Technical officer)	Michael M. Gichuki & Anthony Nguru	12,000,465.1 0	303,095		The security property was sold by public auction on 30.04.08. Due to lack of bidders, the Corporation acquired it at Kshs. 1,200,000 and is now arranging to dispose it off.

2. DEBTORS

The Committee recommends that:-

- (i) the Chief Executive closely follow the case against M/s. Lustman & Company and ensures that the agent pays un-remitted rent in respect of Development House;

Status:

The Chief Executive states that the matter of un-remitted rent by M/S Lustman & Co. was taken to Court. The case was heard in February 2010 and was stood over generally to enable the two parties negotiate.

- (ii) the then Board members and 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.

Status:

As regards the funds held by the collapsed Trust Bank Ltd, the Liquidator paid Kshs. 254,830.95 in February 2003.

3. DISPOSAL OF ASSETS

The Committee recommends that the then chief executive who authorised disposal of the 17 boarded vehicles be identified and surcharged the amount of Kshs.1, 189,217.

Status:

The CEO states that the matter was referred to the Inspector General (Corporations).

4. PROPERTY MANAGEMENT

The Committee recommends that the Chief Executive closely follow the case against M/s. Lustman & Company and ensures that the agent pays unremitted rent in respect of Development House.

Status:

The corporation is closely following up the case which is still in the Courts and un-resolved. The case came up for hearing on 22nd February 2010 and was stood over generally to enable the two parties negotiate.

17. SAFARICOM (K) LIMITED

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF SAFARICOM (K) LIMITED FOR THE YEAR ENDED 31ST MARCH 2006.

2. MATTER OF SHAREHOLDING OF SAFARICOM LTD

The Committee recommends that: -

- (i) the Director, Kenya Anti-Corruption Commission immediately institutes investigation on the circumstances and manner in which 10% of Telkom (K) Ltd shares in Safaricom Ltd were irregularly transferred to Mobitela Ventures without the consent of the Treasury and that of the Parent Ministry with 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 said investigation in the Commission's quarterly report to the House for the next immediate period ;

Status:

Treasury wrote to KACC vide CONF.268/03/1 dated 28th December, 2009 and a reminder vide CONF.268/03/1 dated 20th April, 2010. By the time of compiling the report, no response had been received.

- (iii) 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 transferred to Mobitela Ventures. Vodafone Plc and/or Mobitela Ventures be made to redeem the determined value by June 30, 2008.

Status:

Treasury is in communication with Ministry of Information and Communication with a view to determining the value of 10% of Safaricom shares.

18. KENYA FORESTRY RESEARCH INSTITUTE

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 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.

Status:

Treasury wrote to Kenya Forestry Research Institute vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. By the time of compiling the report, the corporation had not submitted their status.

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 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.

Status:

Treasury wrote to Kenya Forestry Research Institute vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. By the time of compiling the report, the corporation had not submitted their status.

2. 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.2,642,015.

Status:

Treasury wrote to Kenya Forestry Research Institute vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. By the time of compiling the report, the corporation had not submitted their status.

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 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.

Status:

Treasury wrote to Kenya Forestry Research Institute vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. By the time of compiling the report, the corporation had not submitted their status.

2. MEDICAL SCHEME AND ALLOWANCES

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.

Status:

Treasury wrote to Kenya Forestry Research Institute vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. By the time of compiling the report, the corporation had not submitted their status.

19. KENYA NATIONAL LIBRARY SERVICES BOARD

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA NATIONAL LIBRARY SERVICES BOARD FOR THE YEAR ENDED 30 JUNE, 1998.

1. FIXED ASSETS

The Committee recommends that the Management moves with speed to have ownership of the plots regularized and titles issued to the Board.

Status:

Kenya National Library Service Board has for the last ten (10) years made good progress in the regularization of its plots by obtaining letters of allotment, title deeds and valuation certificates for its fixed assets countrywide.

Currently, the Board has sixty two (62) plots whose status is as hereunder:-

Plots with titles	-	Thirty one (31)
Plots with allotment letters	-	Nineteen (19)
Plots awaiting documentation	-	Twelve (12)

The board in its efforts to expand and establish library services in the country, acquisition of new plots forms part of its strategy to realize its mandate. The plots are either allocated by local authorities or through donations by communities. Hence the process of acquiring ownership documents will be ongoing.

2. STAFF PENSION FUND

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;

Status:

KNLS confirms that they have received from the time of audit in 1998 to date Kshs. 34,315,592.59 from KNAC which has been transferred to the new scheme's custodian (NIC Bank). The Trustees are pursuing KNAC 2001 Ltd for the release of the outstanding balance of Kshs. 1,968,872.90.

- (ii) the Commissioner of Insurance compels 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.

Status:

Treasury has written to the Commissioner of Insurance vide letter ref. CONF.268/03/A dated 15th July 2010 to compel Inter Broke Insurance Limited to release documentation they are holding on the staff pension to the Board.

**REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE
ACCOUNTS OF KENYA NATIONAL LIBRARY SERVICES BOARD
FOR THE YEAR ENDED 30 JUNE, 1999.**

1. FIXED ASSETS

The Committee recommends that the Management moves with speed to have ownership of the plots regularized and titles issued to the Board.

Status:

Kenya National Library Service Board has for the last ten (10) years made good progress in the regularization of its plots by obtaining letters of allotment, title deeds and valuation certificates for its fixed assets countrywide.

Currently, the Board has sixty two (62) plots whose status is as hereunder:-

Plots with titles	-	Thirty one (31)
Plots with allotment letters	-	Nineteen (19)
Plots awaiting documentation	-	Twelve (12)

The board in its efforts to expand and establish library services in the country, acquisition of new plots forms part of its strategy to realize its mandate. The plots are either allocated by local authorities or through donations by communities. Hence the process of acquiring ownership documents will be ongoing.

2. DEBTORS

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.

Status:

KNLS confirms that they have received from the time of audit in 1998 to date Kshs. 34,315,592.59 from KNAC which has been transferred to the new scheme's custodian (NIC Bank). The Trustees are pursuing KNAC 2001 Ltd for the release of the outstanding balance of Kshs. 1,968,872.90.

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON
THE ACCOUNTS OF KENYA NATIONAL LIBRARY SERVICES
BOARD FOR THE YEAR ENDED 30 JUNE 2000.**

1. FIXED ASSETS

The Committee recommends that the Management moves with speed to have ownership of the plots regularized and titles issued to the Board.

Status:

Kenya National Library Service Board has for the last ten (10) years made good progress in the regularization of its plots by obtaining letters of allotment, title deeds and valuation certificates for its fixed assets countrywide.

Currently, the Board has sixty two (62) plots whose status is as hereunder:-

Plots with titles	-	Thirty one (31)
Plots with allotment letters	-	Nineteen (19)
Plots awaiting documentation	-	Twelve (12)

The board in its efforts to expand and establish library services in the country, acquisition of new plots forms part of its strategy to realize its mandate. The plots are either allocated by local authorities or through donations by communities. Hence the process of acquiring ownership documents will be ongoing.

2. PROPOSED EXTENSION OF KENYA NATIONAL LIBRARY SERVICES HEADQUARTERS

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; and
- (ii) 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.

Status:

The Chief Executive states that, the Board had never accepted liability or approved authority to incur expenditure with regard to legal pursuit to determine the case and other project costs. Further, the Parent Ministry revived the case by paying one of the Consultants (Emms Architects) without consulting the Board.

The Chief Executive confirms that, the Pending Bills Closing Committee has taken up the matter and is consulting with the Parent Ministry (Ministry of National Heritage and Culture), the Solicitor General and KNLS to determine the claim and advice on the way forward.

3. DEBTORS

The Committee therefore recommends that the Chief Executive follows the matter expeditiously to ensure that the funds are released to the Board.

Status:

The Board debtors as at 30th June 1999 included cash advances totaling Kshs. 605,722 made to 5 ex-employees. There was an omission of Kshs. 125,320 in respect of Mr. Charles Mwangi.

The details of the employees who were advanced the cash are:-

Name	PF No.	Pension due 80%	80% advanced	Amount recovered	Balance
Isaac Elimale	133	108,837.00	87,069.65	36,279.00	50,790.65
Joel M. Mutiso	007	137,837.00	110,376.90	45,990.30	64,386.60
Damaris Aroka	140	74,358.90	59,487.10	24,786.30	34,700.80
Charles M. Mwangi	221	156,651.00	125,320.00	52,217.00	73,103.00
Nina Mwangemi		342,403.90	273,923.10		273,923.10
Nelly Nyakan	078	93,582.00	74,865.35	31,194.00	
Total		913,802.9	731,042.85	190,466.60	540,575.50

KNLS has made efforts to recover the money and to date Ksh. 190,466.60 has been recovered. Further KNAC (2001) has released Kshs.286,844.50 in respect of these employees to KNLS pension fund custodian. The Board has requested the scheme administrator to release the amount received in its favour.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF THE KENYA NATIONAL LIBRARY SERVICES FOR THE YEAR ENDED 30 JUNE 2001

1. FIXED ASSETS

The Committee recommends that the Management moves with speed to have ownership of the plots regularized and titles issued to the Board.

Status:

Kenya National Library Service Board has for the last ten (10) years made good progress in the regularization of its plots by obtaining letters of allotment, title deeds and valuation certificates for its fixed assets countrywide.

Currently, the Board has sixty two (62) plots whose status is as hereunder:-

Plots with titles	-	Thirty one (31)
Plots with allotment letters	-	Nineteen (19)
Plots awaiting documentation	-	Twelve (12)

The board in its efforts to expand and establish library services in the country, acquisition of new plots forms part of its strategy to realize its mandate. The plots are either allocated by local authorities or through donations by communities. Hence the process of acquiring ownership documents will be ongoing.

2. LOSS OF BOOKS – KSHS.2,382,381

The Committee therefore recommends that the Board develop a policy on the magnitude of losses that could be sustained by the Board and that which would require write off.

Status:

The Board has reviewed the existing collection development policy to include a component on management of book losses. The collection development policy provides the guidelines for selection of information materials, ordering, procurement, processing, distribution and management of library holdings of information materials. The new clause 4.6 stipulates that:-

- A library user/client who loses a book will pay the cost of the book plus 60% of the total book value
- Long over-due and irrecoverable books for a period of five years of unsuccessful recovery due to change of users/borrowers last known contacts, death, evident disaster or political violence related losses shall be recommended to the Board for write off.
- Writing off of books and other information materials in compliance with international accounting standards or practice.

**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 Committee recommends that the Management moves with speed to have ownership of the plots regularized and titles issued to the Board.

Status:

Kenya National Library Service Board has for the last ten (10) years made good progress in the regularization of its plots by obtaining letters of allotment, title deeds and valuation certificates for its fixed assets countrywide.

Currently, the Board has sixty two (62) plots whose status is as hereunder:-

Plots with titles	-	Thirty one (31)
Plots with allotment letters	-	Nineteen (19)
Plots awaiting documentation	-	Twelve (12)

The board in its efforts to expand and establish library services in the country, acquisition of new plots forms part of its strategy to realize its mandate. The plots are either allocated by local authorities or through donations by communities. Hence the process of acquiring ownership documents will be ongoing.

20. KENYA NATIONAL EXAMINATIONS COUNCIL

**REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE
ACCOUNTS OF THE KENYA NATIONAL EXAMINATIONS
COUNCIL FOR THE YEAR ENDED 30TH JUNE 2001.**

1. WORK IN PROGRESS

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.

Status:

The CEO states that the project is funded by the Government and scheduled to be completed in December 2011.

3. DEBTORS

The Committee recommends that the then Principal of Lenana School and his Finance Officer be held responsible for the loss of Kshs. 1,281,717.

Status:

Treasury has written to PS Ministry of Education vide letter ref. CONF.268/03/1 dated 15th July 2010 to update on the status. The response is being awaited.

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

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.

Status:

The CEO states that the project is funded by the Government and scheduled to be completed in December 2011.

2. DEBTORS

The Committee recommends that the then Principal of Lenana School and his Finance Officer be held responsible for the loss of Kshs. 1,281,717.

Status:

Treasury has written to PS Ministry of Education vide letter ref. CONF.268/03/A dated 15th July 2011 seeking update on the matter.

21. NYAYO TEA ZONES DEVELOPMENT CORPORATION

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 Committee recommends that the Chief Executive should seek post facto approval for the over expenditure from the Ministry of Finance.

Status:

The CEO states that the post facto approval on the over expenditure from the Ministry of Finance was obtained vide a copy of the letter ref. DGIPE/FB/127 (10) dated 6th December, 2004.

4. WORK IN PROGRESS

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.

Status:

The CEO states that the Corporation had appointed a second private investigator to trace the assets of M/S Muturi Construction Company Limited that would be attached to pay for the debt before commencing the expensive winding up process. The private investigator gave a preliminary report but has taken long to trace the assets of M/S Muturi construction Company. The Corporation is still pursuing the tracing of the assets.

5. ESTABLISHMENT COST – KSHS.237,534,500

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.

Status:

The CEO states that, the Ministry of Agriculture wrote on 13th September, 2006 for the degazettement of the land the Corporation is operating on as a step towards acquisition of the title Deed. Since the process of degazettement of a forest land is lengthy, the Corporation is considering requesting for a concession/lease as provided for by the Kenya Forest Service Act.

6. UNSUPPORTED EXPENDITURE

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.

Status:

The CEO states that they have forwarded details of the concerned District Commissioners to the Office of the President (Provincial Administration) for action. The Office of the President has in turn forwarded the same to the Director of Criminal Investigation Department with a view to prosecuting them for misappropriation of public funds and recovery of the outstanding amounts.

Further, Treasury wrote to Director CID vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010. A response is yet to be received.

7. **DEBTORS, ADVANCE AND PREPAYMENTS**
Staff Debtors – Kshs. 1,867,321

The Committee recommends that the Managing Director moves with speed to ensure full recovery of the outstanding amount.

Status:

The CEO states that, the corporation is pursuing the recovery of the debt from individuals and has written demand letters.

9. **CLEARANCE OF VEHICLES AND SPARE PARTS – KSHS. 4,802,320.**

The Committee recommends that the then Managing Director be surcharged for the loss of Kshs. 4,802,320.

Status:

The CEO states that, the Corporation has written to the former Managing Director demanding Kshs. 4,802,320.

In his letter Ref. No. OPM.14/22A/ISC/IV dated 23rd July 2010 the Inspector-General (Corporations) has stated that he is in the process of gathering documentary evidence to support the surcharge proceedings with a view to recovering the money for the Corporation.

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**

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.

Status:

The CEO states that the Corporation had appointed a second private investigator to trace the assets of M/S Muturi Construction Company

Limited that would be attached to pay for the debt before commencing the expensive winding up process. The private investigator gave a preliminary report but has taken long to trace the assets of M/S Muturi construction Company. The Corporation is still pursuing the tracing of the assets.

2. ESTABLISHMENT COST

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.

Status:

The CEO states that, the Ministry of Agriculture wrote on 13th September, 2006 for the degazettement of the land the Corporation is operating on as a step towards acquisition of the title Deed. Since the process of degazettement of a forest land is lengthy, the Corporation is considering requesting for a concession/lease as provided for by the Kenya Forest Service Act.

3. UNSUPPORTED EXPENDITURE

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.

Status:

The CEO states that they have forwarded details of the concerned District Commissioners to the Office of the President (Provincial Administration) for action. The Office of the President has in turn forwarded the same to the Director of Criminal Investigation Department with a view to prosecuting them for misappropriation of public funds and recovery of the outstanding amounts.

22. PYRETHRUM BOARD OF KENYA

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

The Committee recommends that the then Minister for Agriculture who acted *ultra vires* to the law together with then Chief Executive who authorized the payments to the additional Member who was not gazetted, be held responsible and the amount of Kshs. 641,809 being the allowances paid to the extra board member, be recovered from them by December 31st, 2007.

Status:

The Chief Executive states that the Board has not cleared the then Chief Executive Officer Mr. J.C. Kiptoon and may recover the amount from his terminal benefits. Treasury wrote to Permanent Secretary, Ministry of Agriculture vide letter ref. CONF 268/03/1 dated 15th July 2010 to follow up the then Minister of Agriculture and update on the status.

The Permanent Secretary Ministry of Agriculture in his letter Ref. No. MOA/B.1/11A/2 VOL1/185 dated 21st July 2010 states that the recovery of Kshs.641,809 has not yet been recovered and PBK has not cleared the then Chief Executive Officer Mr. J. C. Kiptoon and intends to recover the amount from his terminal benefits.

2. PAYMENT OF ALLOWANCES TO BOARD MEMBERS

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 for the payment from the State Corporations Advisory Committee through the parent Ministry.

Status:

The Chief Executive states that the post facto approval was granted by the Permanent Secretary/Ministry of Agriculture, vide letter Ref: MOA/B.1/11A VOL.XX1/5 of 13th October, 2005.

3. DEBTORS AND PREPAYMENTS

The Committee recommends that the management uses all means at its disposal to have the debts cleared by December 2007.

Status:

The Chief Executive states that:-

- i. Mr. J. K Muregi was Board chairman from 29/10/1977 to 31/5/1983. The Board filed Case No. 489 of 1991 to recover the debt. The case was determined in favour of the Board and the Court awarded PBK Ksh. 1,439,490/-, which the accused made commitment in writing to pay PBK in installments. Thereafter, Mr. Muregi went underground after warrants of arrest were issued. He transferred all his properties into other peoples' names, making it difficult to trace them for attachment. The Board continues to pursue him through her lawyers.
- ii. Mr. Joseph Mukiri was a Board member who owed the Board money in advances and un-surrendered imprests. The Board leased his land to recover the debt from him by withholding lease payments. But before the Board started using the land, it turned out that he had other judgment debtors who sold the land. The man with 4 others later sued the Board for defamation and judgment was made in their favour for which the Board is to pay a total decretal sum of Ksh. 1,818,499. Mr. Mukiri is entitled to receive ksh. 400,000 from this decretal sum. Exchanges between the man and a former Board employee formed part of the defamation case. The Board has communicated to his lawyers to withhold payment to him until the matter is sorted out.
- iii. Mr. I.K. Muthua owed the Board Kshs. 11,908.95 in advances and un-surrendered imprests. He passed on and the status has not changed.
- iv. Mr. S. Omariba owed the Board Kshs. 7,434. He has never responded to communication from the Board over the case and the Board has not traced him.
- v. Kenya Commercial Bank owed the Board Kshs. 3,268,246. The Board filed HCCC Case No. 80 of 1988 but later amicably settled it out of Court with KCB. An amount of Kshs. 6,473,079.40 was paid to the Board vide cheque NO. 006242 dated 12/08/2004 covering principal and interest.
- vi. Former employees owed the Board Kshs. 269,668. In its attempt to recover the debts, the Board was not successful in tracing the seven individual officers involved using their contacts at the time. The new Board undertakes to follow up the matter.
- vii. Sales commission payable to distributors (Ksh. 12,412,408.27) - This represented commissions which had not been paid by September 2006. Kshs. 11,930,792 was paid and a debit entry passed to offset the amount. The Board has since cleared all the commissions payable and currently does not have any outstanding commission unpaid.
- viii. Overpayment by customers (Ksh. 42,893.10) - These were treated as prepayments and subsequently offset against subsequent invoices.
- ix. Misallocation amongst customers (Ks. 5,942, 566.50) - The misallocations were subsequently corrected to reflect the correct position.

- x. Advance payment by customers (Ksh. 5,192,911.70) - This represented payments received before the end of the Financial Year against invoices which were posted in the subsequent period 98/99. The posting of the invoices cleared the credit balance from the books.

4. **FIXED ASSETS – EX - LEWA SETTLEMENT SCHEME**

The Committee recommends that the Chief Executive seeks recovery of the money paid for the title deed from the Meru Lands Office.

Status:

The Chief Executive states that recovery of Ksh. 6,100/- paid in acquisition of the land title deed that was later cancelled by the Meru lands office in April 1997 has not been done. The new Board management will follow up and recover the funds.

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 Committee recommends that the management uses all means at its disposal to have all the debts cleared by December 2007.

Status:

The Chief Executive states that:-

- i. Mr. J. K Muregi was Board chairman from 29/10/1977 to 31/5/1983. The Board filed Case No. 489 of 1991 to recover the debt. The case was determined in favour of the Board and the Court awarded PBK Ksh. 1,439,490/-, which the accused made commitment in writing to pay PBK in installments. Thereafter, Mr. Muregi went underground after warrants of arrest were issued. He transferred all his properties into other peoples' names, making it difficult to trace them for attachment. The Board continues to pursue him through her lawyers.
- ii. Mr. Joseph Mukiri was a Board member who owed the Board money in advances and un-surrendered imprests. The Board leased his land to recover the debt from him by withholding lease payments. But before the Board started using the land, it turned out that he had other judgment debtors who sold the land. The man with 4 others later sued the Board for defamation and judgment was made in their favour for which the Board is to pay a total decretal sum of Ksh. 1,818,499. Mr. Mukiri is entitled to receive ksh. 400,000 from this decretal sum. Exchanges between the man and a former Board employee formed part of the defamation case. The Board has

- communicated to his lawyers to withhold payment to him until the matter is sorted out.
- iii. Mr. I.K. Muthua owed the Board Kshs. 11,908.95 in advances and un-surrendered imprests. He passed on and the status has not changed.
 - iv. Mr. S. Omariba owed the Board Kshs. 7,434. He has never responded to communication from the Board over the case and the Board has not traced him.
 - v. Kenya Commercial Bank owed the Board Kshs. 3,268,246. The Board filed HCCC Case No. 80 of 1988 but later amicably settled it out of Court with KCB. An amount of Kshs. 6,473,079.40 was paid to the Board vide cheque NO. 006242 dated 12/08/2004 covering principal and interest.
 - vi. Former employees owed the Board Kshs. 269,668. In its attempt to recover the debts, the Board was not successful in tracing the seven individual officers involved using their contacts at the time. The new Board undertakes to follow up the matter.
 - vii. Sales commission payable to distributors (Ksh. 12,412,408.27) - This represented commissions which had not been paid by September 2006. Kshs. 11,930,792 was paid and a debit entry passed to offset the amount. The Board has since cleared all the commissions payable and currently does not have any outstanding commission unpaid.
 - viii. Overpayment by customers (Ksh. 42,893.10) - These were treated as prepayments and subsequently offset against subsequent invoices.
 - ix. Misallocation amongst customers (Ks. 5,942, 566.50) - The misallocations were subsequently corrected to reflect the correct position.
 - x. Advance payment by customers (Ksh. 5,192,911.70) - This represented payments received before the end of the Financial Year against invoices which were posted in the subsequent period 98/99. The posting of the invoices cleared the credit balance from the books.

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

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.

Status:

The Chief Executive states that though the Board did not pursue the issue with the Permanent Secretary, Ministry of Environment and Natural Resources, the new Board undertakes to follow up the matter.

2. DEBTORS AND PREPAYMENTS

The Committee recommends that the management uses all means at its disposal to have all the debts cleared by December 2007.

Status:

The Chief Executive states that:-

- i. Mr. J. K Muregi was Board chairman from 29/10/1977 to 31/5/1983. The Board filed Case No. 489 of 1991 to recover the debt. The case was determined in favour of the Board and the Court awarded PBK Ksh. 1,439,490/-, which the accused made commitment in writing to pay PBK in installments. Thereafter, Mr. Muregi went underground after warrants of arrest were issued. He transferred all his properties into other peoples' names, making it difficult to trace them for attachment. The Board continues to pursue him through her lawyers.
- ii. Mr. Joseph Mukiri was a Board member who owed the Board money in advances and un-surrendered imprests. The Board leased his land to recover the debt from him by withholding lease payments. But before the Board started using the land, it turned out that he had other judgment debtors who sold the land. The man with 4 others later sued the Board for defamation and judgment was made in their favour for which the Board is to pay a total decretal sum of Ksh. 1,818,499. Mr. Mukiri is entitled to receive ksh. 400,000 from this decretal sum. Exchanges between the man and a former Board employee formed part of the defamation case. The Board has communicated to his lawyers to withhold payment to him until the matter is sorted out.
- iii. Mr. I.K. Muthua owed the Board Kshs. 11,908.95 in advances and un-surrendered imprests. He passed on and the status has not changed.
- iv. Mr. S. Omariba owed the Board Kshs. 7,434. He has never responded to communication from the Board over the case and the Board has not traced him.
- v. Kenya Commercial Bank owed the Board Kshs. 3,268,246. The Board filed HCCC Case No. 80 of 1988 but later amicably settled it out of Court with KCB. An amount of Kshs. 6,473,079.40 was paid to the Board vide cheque NO. 006242 dated 12/08/2004 covering principal and interest.
- vi. Former employees owed the Board Kshs. 269,668. In its attempt to recover the debts, the Board was not successful in tracing the seven individual officers involved using their contacts at the time. The new Board undertakes to follow up the matter.
- vii. Sales commission payable to distributors (Ksh. 12,412,408.27) - This represented commissions which had not been paid by September 2006. Kshs. 11,930,792 was paid and a debit entry passed to offset the amount.

The Board has since cleared all the commissions payable and currently does not have any outstanding commission unpaid.

- viii. Overpayment by customers (Kshs. 42,893.10) - These were treated as prepayments and subsequently offset against subsequent invoices.
- ix. Misallocation amongst customers (Ks. 5,942, 566.50) - The misallocations were subsequently corrected to reflect the correct position.
- x. Advance payment by customers (Kshs. 5,192,911.70) - This represented payments received before the end of the Financial Year against invoices which were posted in the subsequent period 98/99. The posting of the invoices cleared the credit balance from the books.

23. KENYA BROADCASTING CORPORATION

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

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.

Status:

The Government is considering restructuring options of KBC that will address all the issues affecting the Corporation. In addition the Corporation generates additional revenue through live broadcast, co-location, partnerships and third party joint ventures among others.

2. FIXED ASSETS REGISTER AND TITLE DOCUMENTS

The Committee recommends that:-

- (i) the Chief Executive moves with speed to acquire title deeds for all its parcels of land to safeguard the interests of the Corporation;

Status:

The Chief Executive states that though the Corporation undertook to obtain title documents for most of its parcels of land, it has managed to obtain only ten title deeds and eight letters of allotment. Speedy acquisition of the titles has been hampered by several factors including:-

- (a) Kenya Forest Services has laid claim to some of parcels especially in Nyeri, Nakure, Nyambene and Timboroa. Whereas those sites were reserved for broadcasting in 1960's the Kenya Forest Service's claims that they form

part of their forest land. The Corporation argues that it was allocated the sites by the Government before Kenya Forest Services was formed.

- (b) Ownership of some of the parcels that had been grabbed in the 1990's will need to be resolved before the issuance of title to the Corporation is done. The affected parcels are Sauti House Mombasa and Jamhuri Park off Ngong road.
- (c) The rates and government rent that have accumulated over some parcels like Ngong Tx, Broadcasting House and its extension are enormous and the Corporation with its limited revenue base may not be able to pay. For instance, the KBC extension parcels has outstanding rate of over Kshs. 20 million to date and rent of over Kshs. 7 million. The Corporation has since requested for waiver of these levies since its parcels are public utility and are therefore not for commercial purposes.

- (ii) **The Chief Executive ensures that an assets register is opened where all the Corporation's assets are recorded.**

Status:

The Corporation through the assistance of a Consultant has produced an assets register.

3. IRREGULAR PAYMENTS

The Committee recommends that:-

- (i) **the Board Members who approved the additional works be held responsible for the loss of Kshs.1,732,420 incurred as penalties for late payment;**

Status:

The Chief Executive states that the corporation has written to Inspector General (Corporations) who undertook to institute surcharge proceedings against the Board Members.

- (ii) **the Chief Executive should ensure that public procurement regulation are adhered to when awarding**

Status:

The Chief Executive states that, the Corporation has put in place measures to ensure that all the regulations and laws including those that pertain to procurement are complied with.

4. DEBTORS

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;

Status:

The Chief Executive states that the Corporation has put in place the following measures in order to streamline the operations

- 1) Formulation of Credit Policy in 2008
- 2) Automation of the Financial systems including Debtors Records in 2008
- 3) Through the Credit Policy, no individuals are entitled to credit and this has reduced the current debt portfolio
- 4) All the Marketing and Revenue collection Units have been sensitized on the implications of the Credit Policy as compliance therewith.

- (ii) All debts outstanding be thoroughly investigated before recommending them for write off.

Status:

The Chief Executive states that the Corporation has given out long outstanding and old debts to a Debt Collectors, who are currently reconciling and pursuing the recoverable debts, after which they will recommend to the Corporation on the suitable debts for, write off. However, no debts have been written off to date.

24. UNIVERSITY OF NAIROBI

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

The Committee recommends that the Ministry of Education finalizes the policy on differentiated unit costs as a matter of priority by December, 2007.

Status:

The Chief Executive states that the University has already submitted their proposal on differentiated unit cost policy to the Ministry of Higher Education Science and Technology for consideration and approval.

2. FIXED ASSETS

The Committee recommends that:-

- (i) the Treasury moves with speed to grant waiver of Stamp Duty to the University to assist in registration of its land(s); and

Status:

The Minister for Finance has already granted waiver on the rent and stamp duty on registration in respect to the Land under reference.

- (ii) The Permanent Secretary for Education 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.

Status:

The Chief Executive gives the current status on the parcels of land as follows:-

Land Parcel	Current Status
Kibwezi Dryland Research Station	Title obtained
Machanga Field Station	Title issued to KENGEN
Kasarani	Title obtained
Extension to the University Dental School	Title obtained

However, the Title for Machanga Research Station has already been issued to KENGEN. The University continues to undertake research work on this parcel of land and would highly appreciate assistance of the line ministry to get the title for the portion that it continues to use to avoid interruption of its research activities.

The University Management continues pursuing issuance of Title Deeds for all lands in its possession.

3. STUDENT'S DEBTORS

The Committee recommends that the Chief Executive uses all means at its disposal, including litigation, to recover all fees outstanding.

Status:

The Chief Executive states that the University is using multi – pronged approach in student debtors management. Among the main strategies applied in fees collection and debt management include:-

- (i) Automation of student registration processes such that only those who have paid their fees can access and register for a course.

- (ii) Clearance of students with finance department as relate to their account before they can be considered for graduation.
- (iii) University has increased certificate storage fees from Kshs.500 to Kshs.1,000 and no certificate is released until all the fees is paid.
- (iv) Only those that have cleared fees are allowed to attend classes and sit for the examinations.
- (v) Credit control section already established to manage university debtors and to review and advice on credit policy

In 2007, University advertised a list of all students with outstanding fees balances in the local dailies and this had a positive impact on debt reduction.

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 Committee recommends that the Ministry of Education finalizes the policy on differentiated unit costs as a matter of priority by December, 2007.

Status:

The Chief Executive states that the University has already submitted their proposal on differentiated unit cost policy to the Ministry of Higher Education Science and Technology for consideration and approval.

2. STUDENTS DEBTORS

The Committee recommends that the Chief Executive uses all means at its disposal, including litigation, to recover all fees outstanding.

Status:

The Chief Executive states that the University is using multi – pronged approach in student debtors management. Among the main strategies applied in fees collection and debt management include:-

- (i) Automation of student registration processes such that only those who have paid their fees can access and register for a course.
- (ii) Clearance of students with finance department as relate to their account before they can be considered for graduation.
- (iii) University has increased certificate storage fees from Kshs.500 to Kshs.1,000 and no certificate is released until all the fees is paid.

- (iv) Only those that have cleared fees are allowed to attend classes and sit for the examinations.
- (v) Credit control section already established to manage university debtors and to review and advice on credit policy

In 2007, University advertised a list of all students with outstanding fees balances in the local dailies and this had a positive impact on debt reduction.

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 Committee recommends that the Ministry of Education finalizes the policy on differentiated unit costs as a matter of priority by December, 2007.

Status:

The Chief Executive states that the University has already submitted their proposal on differentiated unit cost policy to the Ministry of Higher Education Science and Technology for consideration and approval.

2. UNREMITTED STATUTORY DEDUCTIONS

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.

Status:

The Chief Executive states that the statutory deductions have since been paid in full to the respective statutory bodies.

3. STUDENTS DEBTORS

The Committee recommends that the Chief Executive uses all means at his disposal, including litigation, to recover all fees outstanding.

Status:

The Chief Executive states that the University is using multi – pronged approach in student debtors management. Among the main strategies applied in fees collection and debt management include:-

- (i) Automation of student registration processes such that only those who have paid their fees can access and register for a course.

- (ii) Clearance of students with finance department as relate to their account before they can be considered for graduation.
- (iii) University has increased certificate storage fees from Kshs.500 to Kshs.1,000 and no certificate is released until all the fees is paid.
- (iv) Only those that have cleared fees are allowed to attend classes and sit for the examinations.
- (v) Credit control section already established to manage university debtors and to review and advice on credit policy

In 2007, University advertised a list of all students with outstanding fees balances in the local dailies and this had a positive impact on debt reduction

25. NATIONAL WATER CONSERVATION AND PIPELINE CORPORATION

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL WATER CONSERVATION AND PIPELINE CORPORATION FOR THE YEAR ENDED 30 JUNE 2000

1. FINANCIAL PERFORMANCE

The Committee recommends that the Chief Executive should take measures to reduce the cost of operations and production to minimize losses.

Status:

Treasury wrote to National Water Conservation and Pipeline Corporation vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010.

As per their response Ref. No. NWC/MD/00/21/VOL.11(7) dated 21st July, 2010 the Ag. Managing Director states that the Corporation undertook several measures to reduce the cost of operations and production to minimize losses while also increasing revenue generated. Despite the increased operational costs as per the Corporation's new mandate the reported deficit has since gone down to Kshs.309 million as per the year 2008/2009 Financial Report.

The details of measures undertaken are as follows:

- a) To reduce water losses and wastage, the Corporation procured and installed 2285 and 125 water meters in Central Region, and Litein Water Supply respectively.

- b) The Corporation also procured motor cycles to improve on meter reading and disconnection of defaulters to the various water supplies i.e. Central Region-19, Southern Region-9, R/Valley Region-10, Western Region – 9No., Coast Region – 23 and Nairobi Region 2. In addition bicycles were also procured.
- c) In addition several water supplies were also rehabilitated to improve capacity and increase water sales in Siaya Water Supply, Litein Water Supply, Kandara Water Supply and Kahuti Water Supply.
- d) Procurement guidelines were used to procure goods and services in order to cut costs
- e) The Corporation established a pilot project at Kakamega Water Supply with a view to improving operational efficiencies, revenue generated and reduce operational costs.
- f) Inspection Unit was set up to monitor operations on production and illegal water connections.
- g) Capacity building was boosted by hiring of casuals to carry out disconnections.
- h) Pipes and other fittings were procured for use in the rehabilitation of the already worn out pipelines.
- i) Control measures were put in place to prevent theft/loss of water chemicals and equipment.
- j) New motor vehicles were also bought to replace those found to be uneconomical to maintain.
- k) Security personnel were employed to beef up security of the resources both at the Headquarters and regional offices.

It is important to note that the Water Sector in Kenya has been undergoing reforms with a view to improving the provision and management of water resources and services. To make operations of the Water Services Board effective, a Transfer Plan of water services was developed and operationalized with effect from 1st July 2005. Therefore NWPC ceased to implement the above measures and proceeded to undertake its new mandate.

4. WATER DEBTORS

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.

Status:

Treasury wrote to National Water Conservation and Pipeline Corporation vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010.

As per their response Ref. No. NWC/MD/00/21/VOL.11(7) dated 21st July, 2010 the Ag. Managing Director states that:-

a) The Corporation has instituted several measures to enhance debt collection which includes:-

- Disconnection of water defaulters
- Negotiation with major customers on settlement plans for the outstanding bills e.g. Department of Defence started paying and the records are with Nakuru Rural Water and Sanitation Company.
- Procurement of Motocycles to carryout disconnections, meter readings and simple repair works.
- Inspection Unit was set up to monitor operations on production and illegal water connections.
- Capacity building was boosted by hiring of casuals to carryout disconnections.
- Legal action against Embu Municipal Council. The Corporation handed over the case file to Tana Water Services Board in 2005 in line with the water sector reforms.

b) Treasury enhanced allocation of funds to various Ministries/Departments to clear outstanding debts owed to the Corporation.

c) After July 2005, the Corporation handed over the water services management to the Water Services Boards. This included the transfer of

water debtors to the Water Service Boards and subsequently to the Water Service providers.

3. REPAYMENT OF LONG TERM LOANS

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.

Status:

Treasury wrote to National Water Conservation and Pipeline Corporation vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010.

As per their response Ref. No. NWC/MD/00/21/VOL.11(7) dated 21st July, 2010 the Ag. Managing Director states that the revenue being generated by the Corporation was not adequate to service the loan and operational costs which kept on increasing due to aged infrastructure, increased electricity tariffs without an increase in water tariffs. Cross subsidising the operations of other water schemes without returns to the Corporation greatly affected the ability of the Corporation to service this loan.

Currently, National Water Conservation & Pipeline Corporation is not in a position to service the loan owing to the reforms and change of its mandate.

As a result of the Water Sector Reforms a Transfer Plan for Water Services management was gazetted in August, 2005 which states that assets, loans and other liabilities will be transferred to the Water Services Boards which is ongoing.

4. LAND AND BUILDINGS

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 emptor on all the disputed plots to safeguard its interests.

Status:

Treasury wrote to National Water Conservation and Pipeline Corporation vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010.

As per their response Ref. No. NWC/MD/00/21/VOL.11(7) dated 21st July, 2010 the Ag. Managing Director states that the Corporation had handed over the plots to Water Services Boards who were directed to fence the plots have them transferred into their names and put the caveat emptor on all the disputed plots.

Some of the disputed plots (Nyeri-Block 1/1286/1287/1288, Nakuru-Block 12/156/183/184) were referred to the Ndungu Commission.

For Changamwe the title MN/VI/3615 which had been illegally allocated to Mangrove Investment Limited was reverted back to the Corporation. However M/S Mangrove Investment Ltd went back to court to challenge the ruling and the matter is still pending in Court. The status of the other disputed plots remains as before.

5. KALANZONI WATER SUPPLY PROJECT

The Committee recommends that the Corporation ensures that availability of finances is established before embarking on projects.

Status:

Treasury wrote to National Water Conservation and Pipeline Corporation vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010.

As per their response Ref. No. NWC/MD/00/21/VOL.11(7) dated 21st July, 2010 the Ag. Managing Director states that:-

The project is currently operational

All the liabilities of the water supplies were transferred to the Water Services Boards.

The Corporation wrote to the Ministry of Water and Irrigation vide letter NWCPC/HQS/PB/VOL.1/(2) of 24th October 2005 on pending bills claims among others to be forwarded to Treasury and this has been done. The committee on Pending Bills is evaluating that claim.

The Corporation has heeded to the committee's recommendation and ensures that finances are available before embarking on projects.

6. WATER DEPOSITS

The Committee recommends that the Chief Executive ensures that information is availed to the auditors as and when required for audit.

Status:

Treasury wrote to National Water Conservation and Pipeline Corporation vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010.

As per their response Ref. No. NWC/MD/00/21/VOL.11(7) dated 21st July, 2010 the Ag. Managing Director states that the Corporation has since heeded the Committee's recommendations and avails information to the Auditors 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 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.

Status:

Treasury wrote to National Water Conservation and Pipeline Corporation vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010.

As per their response Ref. No. NWC/MD/00/21/VOL.11(7) dated 21st July, 2010 the Ag. Managing Director states that:-

a) The Corporation has instituted several measures to enhance debt collection which includes:-

- Disconnection of water defaulters
- Negotiation with major customers on settlement plans for the outstanding bills e.g. Department of Defence started paying and the records are with Nakuru Rural Water and Sanitation Company.

- Procurement of motorcycles to carryout disconnections, meter readings and simple repair works.
- Inspection Unit was set up to monitor operations on production and illegal water connections.
- Capacity building was boosted by hiring of casuals to carryout disconnections.
- Legal action against Embu Municipal Council. The Corporation handed over the case file to Tana Water Services Board in 2005 in line with the water sector reforms.

b) Treasury enhanced allocation of funds to various Ministries/Departments to clear outstanding debts owed to the Corporation.

c) After July 2005, the Corporation handed over the water services management to the Water Services Boards. This included the transfer of water debtors to the Water Service Boards and subsequently to the Water Service providers.

2. FIXED ASSETS

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 emptor on all the disputed plots to safeguard its interests.

Status:

Treasury wrote to National Water Conservation and Pipeline Corporation vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010.

As per their response Ref. No. NWC/MD/00/21/VOL.11(7) dated 21st July, 2010 the Ag. Managing Director states that the Corporation had handed over the plots to Water Services Boards who were directed to fence the plots have them transferred into their names and put the caveat emptor on all the disputed plots.

Some of the disputed plots (Nyeri-Block 1/1286/1287/1288, Nakuru-Block 12/156/183/184) were referred to the Ndungu Commission.

For Changanwe the title MN/VI/3615 which had been illegally allocated to Mangrove Investment Limited was reverted back to the Corporation.

However M/S Mangrove Investment Ltd went back to court to challenge the ruling and the matter is still pending in Court. The status of the other disputed plots remains as before.

3. LOANS REPAYMENT

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.

Status:

Treasury wrote to National Water Conservation and Pipeline Corporation vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010.

As per their response Ref. No. NWC/MD/00/21/VOL.11(7) dated 21st July, 2010 the Ag. Managing Director states that the revenue being generated by the Corporation was not adequate to service the loan and operational costs which kept on increasing due to aged infrastructure, increased electricity tariffs without an increase in water tariffs. Cross subsidizing the operations of other water schemes without returns to the Corporation greatly affected the ability of the Corporation to service this loan.

Currently, National Water Conservation & Pipeline Corporation is not in a position to service the loan owing to the reforms and change of its mandate.

As a result of the water reforms a Transfer Plan for Water Services management was gazette in August, 2005 which states that credits, loans and other liabilities will be transferred to the Water Services Boards which is ongoing.

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

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.

Status:

Treasury wrote to National Water Conservation and Pipeline Corporation vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010.

As per their response Ref. No. NWC/MD/00/21/VOL.11(7) dated 21st July, 2010 the Ag. Managing Director states that the revenue being generated by the Corporation was not adequate to service the loan and operational costs which kept on increasing due to aged infrastructure, increased electricity tariffs without an increase in water tariffs. Cross subsidizing the operations of other water schemes without returns to the Corporation greatly affected the ability of the Corporation to service this loan.

Currently, National Water Conservation & Pipeline Corporation is not in a position to service the loan owing to the reforms and change of its mandate.

As a result of the water reforms a Transfer Plan for Water Services management was gazette in August, 2005 which states that credits, loans and other liabilities will be transferred to the Water Services Boards which is ongoing.

2.0 FIXED ASSETS

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 emptor on all the disputed plots to safeguard its interests.**

Status:

Treasury wrote to National Water Conservation and Pipeline Corporation vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010.

As per their response Ref. No. NWC/MD/00/21/VOL.11(7) dated 21st July, 2010 the Ag. Managing Director states that the Corporation had handed over the plots to Water Services Boards who were directed to fence the plots have them transferred into their names and put the caveat emptor on all the disputed plots.

Some of the disputed plots (Nyeri-Block 1/1286/1287/1288, Nakuru-Block 12/156/183/184) were referred to the Ndungu Commission.

For Changanwe the title MN/VI/3615 which had been illegally allocated to Mangrove Investment Limited was reverted back to the Corporation. However M/S Mangrove Investment Ltd went back to court to challenge the ruling and the matter is still pending in Court. The status of the other disputed plots remains as before.

3.0 STATUTORY DEDUCTIONS

The Committee reiterates its recommendation in the 11th Report that the Chief Executive should use all means possible, including disconnection until all debts due are collected.

Status:

Treasury wrote to National Water Conservation and Pipeline Corporation vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010.

As per their response Ref. No. NWC/MD/00/21/VOL.11(7) dated 21st July, 2010 the Ag. Managing Director states that the status of the statutory deductions (National Hospital Insurance Fund, National Social Security Fund, PAYE and Ukulima Sacco) are up to date with an exception Kshs.6.8 million for pension scheme. Measures have been put in place to settle the outstanding pension within the current financial year.

4.0 WATER DEBTORS

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.

Status:

Treasury wrote to National Water Conservation and Pipeline Corporation vide letter ref. CONF 268/03/1 dated 28th December 2009 and a reminder dated 20th April 2010.

As per their response Ref. No. NWC/MD/00/21/VOL.11(7) dated 21st July, 2010 the Ag. Managing Director states that:-

a) The Corporation has instituted several measures to enhance debt collection which includes:-

- Disconnection of water defaulters
- Negotiation with major customers on settlement plans for the outstanding bills e.g. Department of Defence started paying and the records are with Nakuru Rural Water and Sanitation Company.
- Procurement of motorcycles to carryout disconnections, meter readings and simple repair works.
- Inspection Unit was set up to monitor operations on production and illegal water connections.
- Capacity building was boosted by hiring of casuals to carryout disconnections.
- Legal action against Embu Municipal Council. The Corporation handed over the case file to Tana Water Services Board in 2005 in line with the water sector reforms.

b) Treasury enhanced allocation of funds to various Ministries/Departments to clear outstanding debts owed to the Corporation.

c) After July 2005, the Corporation handed over the water services management to the Water Services Boards. This included the transfer of water debtors to the Water Service Boards and subsequently to the Water Service providers.

26. TEA BOARD OF KENYA

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

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.

Status:

The Chief Executive states that the Board made a request for post facto vide letter Ref. No 1/CONF/1 dated 22nd May 2002 to the Permanent Secretary, Ministry of Agriculture.

5. **BOARD EXPENSES**

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 to the Corporation;

Status:

The Chief Executive states that the board in a letter Ref.1/CONF/1 dated 20th February 2007, forwarded the name of the then Chief Executive Officer, Mr. G.M. Kimani to the Public Investment Committee as directed during the hearing of evidence to facilitate in the recovery of the irregularly paid allowances. Further, the Board no longer pays such allowances to ex-board members.

In his letter Ref. No. ISC/TBK/TY/2010 dated 16th July 2010 the Inspector-General (Corporations) states that the officers of the Inspectorate of State Corporation carried out an investigation into the matter in order to gather relevant documentary evidence with a view to take surcharge action in accordance with section 19 of State Corporations Act, Cap 446. However the officers were unable to get the payment vouchers and schedules from Kenya National Audit Office and Tea Board of Kenya to confirm the payments made to the ex-Board members. In absence of the relevant documentary evidence to sustain the case in a court of law, it is not advisable to institute recovery measures against the former Chief Executive Officer, Mr. G. M. Kimani.

- (ii) the Chief Executive Officer institutes recovery of Kshs.73,218 irregularly paid to public officers;

Status:

During the hearing the Public Investment Committee indicated it would take up the matter with SCAC to assist in the recovery of the irregularly paid allowances to Public Officers as some of them had retired from public service. Following the advice by the Auditors and in compliance with the State Corporations Act Cap 446, the Board stopped paying the Public Officers any allowances until the Act was amended in 2002.

- (iii) all audit information be availed to auditors as and when required.

Status:

The Chief Executive states that the board avails information to the auditors during the audits, the Tea Board wishes to confirm that the Board has since been complying with this requirement.

3. UNVOUCHED EXPENDITURE

The Committee therefore recommends that:-

- (i) the then Board Chairman, Mr. J. O. Moronge, the then Chief Executive Mr. George Kimani and the then Accounting Officer, Mr. Hezekiah Njenga and the Statistical Clerk, Mr. Joseph Thaiya be held responsible for the expenditure; and

’ **Status:**

The Chief Executive states that the former chairman (Mr. Johnston O. Moronge), Chief Executive Officer (Mr. George M. Kimani) and the Accountant (Mr. Hezekiah W. Njenga) had retired from the Board even before the matter was laid before the PIC on 14th February 2007. The Statistical Clerk (Mr. Joseph K. Thaiyah) who used to handle the petty cash during that period was removed from direct handling of cash or preparation of vouchers, and assigned other duties within the Trade and Promotion Department.

During the 265th board meeting held on 18th April 2008 MIN.BM/20/4/2008 the Board noted that it does not have powers to summon the above named persons to render their evidence before the PIC. The Board has since forwarded the names of the above mentioned persons to the Public Investment Committee as the understanding during the hearing was that once PIC is given the names of the officers, it would prompt the relevant Government organization to impose the surcharges.

- , Further, the fourth mentioned officer Mr. Joseph K. Thaiyah is still working with the Tea Board and upon being investigated, the Board exonerated him by virtue of the fact that he was working under the instructions of the said Accountant to pay out the cash.

The Board has since instituted strong internal control measures regarding petty cash and general accounting, financial and other management systems and has established an Internal Audit Section.

- (ii) **The State Corporations Advisory Committee institutes measures to surcharge the officers mentioned in (i) above, the amount irregularly spent on the 23 luncheons.**

’ **Status:**

Treasury has communicated with SCAC to institute surcharge as directed by PIC. Further, Treasury wrote to SCAC vide letter ref. CONF 268/03/1 dated 15th July 2010.

In his letter Ref. No. OPM.14/22A/ISC/IV dated 23rd July 2010 the Inspector-General (Corporations) states that they investigated the issue and due to lack of documentary evidence, they were unable to proceed as recommended by PIC and is now advising the Board to write off the same from the books.

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

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.

Status:

The Chief Executive states that the Board is waiting for the post facto approval from the State Corporations Advisory Committee through the Ministry of Agriculture.

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

4. PURCHASE OF PROPERTY

The Committee recommends that the CEO should ensure that the procurement guidelines are adhered to in all transactions for services to the Board.

Status:

The Chief Executive states that the Board has strengthened the procurement processes of goods and services by adhering to the Public procurement and disposal Act 2005 and Public procurement disposal Regulations 2006. Further, the Board has developed a Procurement Policy and instituted various procurement and disposal committees as stipulated in the said Act and regulations.

27. MASENO UNIVERSITY COLLEGE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF MASENO UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 1996

2. BUILDING WORK IN PROGRESS

2.1 Construction of Hostel, Kitchen and Dining Hall

2.2 Construction of Lecture Halls, Seminar Rooms and Office Accommodation

The Committee recommends that:-

- (i) the University in future analyses its financial position before embarking on ambitious projects without any financial backing;

Status:

The Chief Executive states that the contract for construction of the above project was supposed to be completed in 104 weeks with effect from 15th June 1992. This was a 100% Government of Kenya funded project.

Due to delays in payment of various certificates, it was found necessary to alter the contract sum and the contract period. Thus the contract sum was altered from Kshs. 66,639,289 to Kshs. 136,000,000 while the contract period was varied from 104 weeks to 261 weeks. The Contractor remained on site in anticipation of release of funds by the Government until 1998.

The University took over the projects in June 2003 and the contractor was paid all the pending bills. This was upon recommendation by the Treasury Pending Bills Verification Committee.

One wing of the hostels was completed and has been put to use. The other blocks remain incomplete.

The University took note of the advice by the Public Investment Committee (PIC). It no longer embarks on any project without financial backing.

- (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.

Status:

The Chief Executive states that the University advises that the Ministry of Public Works takes disciplinary measures against the Engineer who approved the payment certificates.

Further, Treasury wrote to Permanent Secretary, Ministry of Public Works vide letter ref. CONF 268/03/1 dated 15th July 2010. A response is yet to be received.

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF MASENO UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 1997

2. WORKING IN PROGRESS

2.1 Construction of Hostel, Kitchen and Dining Hall

2.2 Construction of Lecture Halls, Seminar Rooms and Office Accommodation

The Committee recommends that:-

- (i) the University in future analyses its financial position before embarking on ambitious projects without any financial backing;

Status:

The Chief Executive states that the contract for construction of the above project was supposed to be completed in 104 weeks with effect from 15th June 1992. This was a 100% Government of Kenya funded project.

Due to delays in payment of various certificates, it was found necessary to alter the contract sum and the contract period. Thus the contract sum was altered from Kshs. 66,639,289 to Kshs. 136,000,000 while the contract period was varied from 104 weeks to 261 weeks. The Contractor remained on site in anticipation of release of funds by the Government until 1998.

The University took over the projects in June 2003 and the contractor was paid all the pending bills. This was upon recommendation by the Treasury Pending Bills Verification Committee.

One wing of the hostels was completed and has been put to use. The other blocks remain incomplete.

The University took note of the advice by the Public Investment Committee (PIC). It no longer embarks on any project without financial backing.

- (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.**

Status:

The Chief Executive states that the University advises that the Ministry of Public Works takes disciplinary measures against the Engineer who approved the payment certificates.

Further, Treasury wrote to Permanent Secretary, Ministry of Public Works vide letter ref. CONF 268/03/1 dated 15th July 2010. A response is yet to be received.

3. LOSS OF CASH

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.

Status:

The Chief Executive states that this matter had been handed over to the University Lawyer who sent a report to the University that Mr. Nyamu had relocated to the United States of America.

Upon recommendations by the Public Investment Committee to report the matter once more to Maseno Police Station, the University proceeded and reported the matter to the police who are still pursuing Mr. Nyamu.

28. KENYA PLANT HEALTH INSPECTORATE SERVICE

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 Committee reiterates its earlier Recommendation in its 9th Report that: The Committee further recommends that the Chief Executive uses all means possible, including litigation, to reposses the Corporation's land.

Status:

The Chief Executive states that the Corporation has continued efforts to repossess and acquire ownership of land in Kitale that was set aside for seed quality certification by the Government. During the intervening period, the Corporation, with the support of the provincial administration, had repossessed three staff houses within the 25 acre piece hitherto occupied by private individuals. The title for the 25 acre land is being pursued in collaboration with KARI. Similarly processing of title for the 80 acres is being pursued through the Ministry of Agriculture.

The Corporation has also continued efforts to repossesses the 225 acres of land that is still being occupied by private persons as per Controller and

Auditor General Reports. However, there has been little progress even after soliciting support from relevant Ministries. The main challenge in the efforts of repossessing the land has been lack of proof of ownership. In this regard, the Corporation sought the intervention of the Ministry of Agriculture. However, in spite of several written requests by Permanent Secretary, Ministry of Agriculture to the Permanent Secretary, Ministry of Lands, revocation of allocations to private individuals and transfer of ownership to KEPHIS has not been done. Consequently the land in question has not been recovered from the private developers.

**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

The Committee reiterates its earlier Recommendation in its 9th that: The Committee further recommends that the Chief Executive uses all means possible, including litigation, to reposes the Corporation's land.

Status:

The Chief Executive states that the Corporation has continued efforts to repossess and acquire ownership of land in Kitale that was set aside for seed quality certification by the Government. During the intervening period, the Corporation, with the support of the provincial administration, had repossessed three staff houses within the 25 acre piece hitherto occupied by private individuals. The title for the 25 acre land is being pursued in collaboration with KARI. Similarly processing of title for the 80 acres is being pursued through the Ministry of Agriculture.

The Corporation has also continued efforts to repossesses the 225 acres of land that is still being occupied by private persons as per Controller and Auditor General Reports. However, there has been little progress even after soliciting support from relevant Ministries. The main challenge in the efforts of repossessing the land has been lack of proof of ownership. In this regard, the Corporation sought the intervention of the Ministry of Agriculture. However, in spite of several written requests by Permanent Secretary, Ministry of Agriculture to the Permanent Secretary, Ministry of Lands, revocation of allocations to private individuals and transfer of ownership to KEPHIS has not been done. Consequently the land in question has not been recovered from the private developers.

2. DEBTORS

The Committee recommends that the Inspectorate follows up the outstanding debt with KARI and also ensures that information is availed to auditors as and when required.

Status:

The Chief Executive states that the long outstanding debts owned by the two organizations KARI and Kenya Seed Company were recovered in full.

Further, the CEO confirms 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 EIGHTEEN MONTHS PERIOD ENDED 30 JUNE 2001

FIXED ASSETS

The Committee reiterates its earlier Recommendation in its 9th Report that: The Committee further recommends that the Chief Executive uses all means possible, including litigation, to reposses the Corporation's land.

Status:

The Chief Executive states that the Corporation has continued efforts to repossess and acquire ownership of land in Kitale that was set aside for seed quality certification by the Government. During the intervening period, the Corporation, with the support of the provincial administration, had repossessed three staff houses within the 25 acre piece hitherto occupied by private individuals. The title for the 25 acre land is being pursued in collaboration with KARI. Similarly processing of title for the 80 acres is being pursued through the Ministry of Agriculture.

The Corporation has also continued efforts to repossesses the 225 acres of land that is still being occupied by private persons as per Controller and Auditor General Reports. However, there has been little progress even after soliciting support from relevant Ministries. The main challenge in the efforts of repossessing the land has been lack of proof of ownership. In this regard, the Corporation sought the intervention of the Ministry of Agriculture. However, in spite of several written requests by Permanent Secretary, Ministry of Agriculture to the Permanent Secretary, Ministry of Lands, revocation of allocations to private individuals and transfer of ownership to

KEPHIS has not been done. Consequently the land in question has not been recovered from the private developers.

29. KENYA INSTITUTE ADMINISTRATION

REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA INSTITUTE ADMINISTRATION FOR THE YEAR ENDED 30 JUNE 1998.

FIXED ASSETS

The Committee recommends that the Chief Executive ensures that the records are availed for audit as and when required by the auditors.

Status:

The Chief Executive confirms that the Institutions avails information for audit review as and when required.

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

1. FIXED ASSETS

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.

Status

The Chief Executive states that the Institute is following up on the illegal allocation of the parcels of land L.R No. 11509-11511 and 11512-11514 through Court cases HCC No. 679 of 2006 and HCC No. 80 of 2009 respectfully which are yet to be concluded.

2. WORK IN PROGRESS

The Committee recommends that:-

- (i) the Chief Executive takes appropriate action to recover government equipment / machinery carried away by M/s Nacili Engineers Ltd;

Status:

The Chief Executive Officer states that the contract for the constructions of the hotels blocks, kitchen, dining hall and laundry block had been entered into when KIA was a department of DPM before it was converted into a state corporation.

The Institute has written vide a letter ref. X27/VOL 2/150 to the Ministry of State for Public Service to facilitate recovery of the equipment.

- (ii) **The Chief Executive must ensure that projects are implemented in good time to avoid unnecessary escalation of costs.**

Status:

The Chief Executive Officer confirms that current projects are implemented in good time and there has been no escalation of costs beyond the contract sum.

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

The Committee recommends that the Chief Executive ensures that the records are availed for audit as and when required by the auditors.

Status:

The Chief Executive confirms that the Institution avails information for audit review as and when required.

30. LAKE BASIN DEVELOPMENT AUTHORITY

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**
- 2. FIXED ASSETS**
- 3. CONTINGENT LIABILITIES**
- 4. CREDITORS**

Status:

Despite the qualifications of the accounts for 1999/2000 there was no specific recommendation from the Committee. However, Treasury vides letter ref CONF 268/03/A dated 26th November 2009 and a reminder dated 20th April 2010 wrote to the Corporation on the issues raised by the Auditor. The Authority is yet to respond to the issues.

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON
THE ACCOUNTS OF LAKE BASIN DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED 30 JUNE 2001**

1. FINANCIAL POSITION
2. POOR CASH MANAGEMENT
3. IRREGULAR APPLICATION OF DEVELOPMENT GRANTS
4. PROCUREMENT OF GOODS AND SERVICES
5. DEBTORS

Status:

Despite the qualifications of the accounts for 2000/2001, there was no specific recommendation from the Committee. However, Treasury vides letter ref CONF 268/03/A dated 26th November 2009 and a reminder dated 20th April 2010 wrote to the Corporation on the issues raised by the Auditor. The Authority is yet to respond to the issues.

ANNEX II

EGYPT AND INDIA TOUR
REPORTS

OF THE

PUBLIC INVESTMENTS
COMMITTEE

**REPORT OF THE STUDY TOUR OF THE COMMITTEE
TO THE PEOPLE'S ASSEMBLY OF EGYPT
6 TO 13 DECEMBER 2009**

OBJECTIVES OF VISITS

To facilitate enhancement of execution of its mandate, the Committee undertook a study tour to the Parliament of Egypt to gain knowledge of the functions of parliamentary Committees in that jurisdiction. The objectives of the visit were to appraise Members on the following:

- (a) the operations of parliamentary watchdog committees;
- (b) the role and operations of the Central Auditing Organization in audit of government;
- (c) the operations and management of major public owned enterprises.

CONSTITUTION OF THE DELEGATION

The delegation comprised the following members of the Committee:

The Hon. Yusuf Chanzu, MP (**Vice Chairperson**)/**Leader of the delegation**

The Hon. (Dr.) David Eseli, MP

The Hon. Luka Kigen, MP

The Committee was accompanied by:

Ms. Anne Musandu - Third Clerk Assistant

ACKNOWLEDGEMENT

The Public Investments Committee is grateful to the Hon. Speaker for allowing the Committee to undertake the tour. The Committee would further like to thank the Clerk of the National Assembly for all the logistical and technical support accorded that guaranteed a successful tour.

Furthermore, the Committee extends gratitude to His Excellency, Daniel Makdwallo, Kenya's Ambassador to Egypt and all the staff at the Embassy of the Republic of Kenya in Cairo for all support extended including logistical arrangements, booking all appointments and all other courtesies accorded to the delegation throughout the visit.

The Committee is also grateful to both the President and Clerk of the Egyptian People's Assembly for hosting the Committee.

EXECUTIVE SUMMARY

The Parliament of Egypt

The Parliament of Egypt comprises the Upper House (the Shura Council) and the Lower House (the People's Assembly).

The Shura Council consists of 264 members. Two-thirds of the members are elected by direct secret ballot, at least half of whom must be workers and farmers. The President of the Republic appoints the other third.

The Shura Council was founded in 1980 for the first time since the July 1952 revolution as an expression of the desire to expand on democracy and participation in political decision-making.

On the other hand, the People's Assembly holds the authority of legislation and monitoring. The election for a new house takes place within the 60 days prior to their termination. Members are elected in public direct ballot under supervision of the judiciary members. It consists of 454 members, 10 of whom are appointed by Republican Decree.

The Committee set out on a study visit to the People's Assembly of Egypt, the Egyptian Railways Authority and the Egyptian Financial Supervisory Authority with the view of gaining from the experience of a jurisdiction that has made remarkable progress and consequently built a robust economy that continues to grow steadily. Egypt's population is approximately 81 million. The country is administratively divided into 29 governorates, 217 cities and 4617 villages.

The Committee was also appraised on operations of committees in the Egyptian Parliament and in particular watchdog committees. Committees in the People's Assembly are set up at the beginning of each ordinary session upon a proposal of the Assembly Bureau, the equivalent of Kenya Parliament's House Business Committee. Each member should join one committee, and may, with approval of the Assembly Bureau, join a second committee benefitting from his/her qualifications and experience. Each committee selects from among its members a chairperson, two deputy chairpersons and a secretary. These committees cooperate with the Assembly in practicing its legislative and oversight competences. Each committee studies and expresses its opinion on bills, motions for bills, resolutions for laws, etc referred thereto by the Assembly in accordance with their specific competences.

The Committee met the Deputy Chairperson of the Plan and Budget Committee of the People's Assembly. This Committee specializes in studying the general plan and budget of the state, other budgets, and annual and regular reports of the Central Organ for Auditing, its reports on final accounts, legislations pertaining to taxation, fees and financial systems. It also considers the People's Assembly budget and other matters within the competences of the ministries and organs specializing in planning and finance. It is noteworthy that the mandate of this committee is wide and touches on the mandates of the Public Accounts Committee, Public Investments Committee, Budget Committee and Finance Committee in the case of the Kenya National Assembly.

The Deputy Chairperson shared the Plan and Budget Committee experience with the Committee and touched on various aspects of its operations in furtherance of its mandate as an oversight committee. This included the Assembly's role in the budget process and in ensuring the prudent utilization of state resources by government ministries, departments and state corporations.

The Committee then visited the Egyptian Railways Authority. The Committee was keen to engage the management of the Authority concerning operations of the railways and the involvement of government in ensuring the success of this fundamental component of infrastructure for both Kenya and Egypt.

The Committee's interest in the operation of the Egyptian railways was based on the prevailing position of the railways in Kenya following the concession of train operations to Rift Valley Railways and the ensuing situation that has compromised its operations and progress. The Committee has dealt with this matter extensively in its Sixteenth Report.

The Egyptian Capital Market is considered the real mirror for the Egyptian economy and it is one of the oldest capital markets in the continent. Capital markets in Egypt date back to the 19th century, beginning 1888 AD, when the Alexandria Exchange was established followed by Cairo Exchange in 1903.

The Egyptian Financial Supervisory Authority oversees the capital market, the Exchange, all activities related to Insurance Services, Mortgage Finance, Financial Leasing, Factoring and Securitization.

The Committee has inquired into the loss of Kshs.1.4 billion by National Social Security Fund invested in stocks through Discount Securities Limited. In this regard, the meeting with the Chairman of the Egyptian Financial Supervisory Authority was insightful.

MEETING WITH THE DEPUTY CHAIR OF THE PLAN AND BUDGET COMMITTEE ON
TUESDAY, 8 DECEMBER 2009 AT THE EGYPTIAN PEOPLE'S ASSEMBLY BUILDINGS IN
CAIRO

The Committee had fruitful deliberations with the Deputy Chair of the Plan and Budget Committee. The Deputy Chair gave the Committee an overview of the mandate of the Planning and Budget Committee which includes:

- (i) overseeing Government expenditure which includes studying the general plan and budget of the State;
- (ii) reporting on the final statements of all government departments;
- (iii) studying the annual and regular reports of the Central Organ for Auditing;
- (iv) considering all bills related to finance; in 2005 the People's Assembly approved a major constitutional amendment that gave it the powers to set priorities for expenditure of State resources; to items of the State's general budget; and, prolonged the period for consideration of the State Budget from two months as was the case previously, to three months.
- (v) promoting transparency of all parliamentary activities and presenting the vision of reform for the financial position of the State.
- (vi) assisting Parliament to absorb technical and financial issues

The Committee was also informed that:-

- (i) the Plan and Budget Committee has membership of twenty five with five members from their areas of specialization are a vital consideration and comprises accountants and economists;
- (ii) the Plan and Budget Committee deals with/considers all aspects of the budget with no reservations and has powers to amend the budget of all departments including that of the national defence department.
- (iii) Violations by government ministries/departments are discussed in the House and the Assembly has the power to send violations for public prosecution.

- (iv) while absorption of allocations is high, unutilized allocations are returned to the Ministry of Finance;
- (v) besides auditing accounts of state corporations, the Central Organization for Auditing carries out Value for Money/Performance Audits.

The Deputy Chairman gave the Committee an outline of Egypt's budget process as follows:

- (i) The Ministry of Finance publishes the Statement on the State's general budget and that each government ministry/department then sets up a committee that formulates a framework of expected expenditure for the financial year. The Ministry of Finance studies these recommendations and formulates a comprehensive budget bill. The bill is then presented to the People's Assembly.
- (ii) The Plan and Budget Committee then commences consideration of the draft state budget and prepares a report that is tabled and debated in the plenary. The Committee holds about 20 meetings as it considers the draft bill. The Plan and Budget Committee depends on data and technical support of government ministries/departments in preparation of its report. After consideration and passage by the People's Assembly, the State budget becomes valid. Each ministry/department is then entitled to utilize its budget allocations as approved by the People's Assembly.

The Committee was also informed that in furtherance of its mandate as an oversight Committee, the following pertains:

1. The Ministry of Finance submits the final statements of the previous financial year six months after the end of the financial year.
2. Subsequently, the Central Organ for Auditing (Government Auditor) prepares a report on the outcome of the final statement and submits it to Parliament one month after the Ministry of Finance submits the subject report.

3. The Plan and Budget Committee then considers and analyses the final statement of the previous financial year's budget.
4. Representatives of the Ministry of Finance and Ministry of Economic Development are present during all committee sittings when the report is being considered while the Chair of the Central Organ for Auditing also attends.
5. The Committee then prepares a report and submits it to Parliament for approval.

In the words of the Deputy Chairman, *'the Plan and Budget Committee is one of the Assembly's major Committees because it deals with crucial financial aspects and touches on all problems of the Egyptian people'*.

MEETING WITH THE CHAIRMAN OF THE BOARD ENGINEER MOSTAFA IBRAHIM KENAWY AND THE MANAGEMENT OF THE EGYPTIAN NATIONAL RAILWAYS (ENR)

The Chairman of the Board informed the Committee that the Egyptian railway network measures approximately 6700 km, 4872km of which are non-stop while the rest are station and block points.

The Committee was further informed that the Egyptian railway network included the Cairo underground metro that was the first in Africa and in the Middle East.

The Committee heard that:

- (i) the railway network joins the whole delta, and also connects most of the inhabited and economic points like harbors on both the Mediterranean and the red seas, together with all the cities in a huge network of extended modern railway roads;
- (ii) the ENR offers transportation services for both people and merchandise, aiming by this to cover all peoples expectations and demands;

- (iii) for merchandise transportation, ENR offers 2 services, urgent delivery of goods on passengers' trains and delivery on special transportation trains that are continually supported with new equipment.
- (iv) the ENR employs 86,000 persons in various fields and provides training, social and health insurance and many other services to ensure the utmost satisfaction level for them and they in turn put in much more to run the service.
- (v) is managed as a public entity and is 100% government funded. As a government company it is mandated to offer an essential service to the people and state and is not driven by the quest for profit; and,
- (iv) is set to improve greatly in capability and efficiency owing to the Egyptian government's continued vast investments in the Authority to increase rail coverage and the speed of trains to better handle the increasing volume of cargo and passengers.

MEETING WITH THE CHAIRMAN OF THE BOARD OF THE EGYPTIAN FINANCIAL SUPERVISORY AUTHORITY (EFSA), DR. ZIAD AHMED BAHAA ELDIN

The Chairman of EFSA gave the Committee an overview of the Authority's objectives and missions.

The Authority's objectives are mainly to ensure:-

- Stability and soundness of non-bank financial markets.
- Regulation and development of non-bank financial markets.
- Realization of financial discipline and protection rights of investors.
- Issuing various means, systems and rules which ensure efficiency and transparency of these markets.

The Committee heard that the Authority's missions in pursuit of achieving the purpose for which it was established include:

- Licensing non-banking financial activities.
- Inspecting entities licensed to engage in non-banking financial activities.
- Regulating the provision and dissemination of information related to non-banking financial markets.
- Ensuring transparency and competitiveness in non-banking financial services through proper regulation of non-banking financial markets;
- Protecting non-banking market participants' rights.
- Taking necessary measures to limit market manipulation and fraud given the consideration of potential commercial risks relevant to that market.
- Supervising training of non-banking market participants and enhance their efficiency.
- Cooperating and coordinating with other non-banking regulatory bodies abroad, thus developing and increasing efficiency of means and methods of supervision in non-bank financial markets and instruments domains.
- Communicate, cooperate and coordinate with societies and organizations which regulate work of financial supervision authorities across the globe, thus empowering the Authority to assume its competences according to the best international practices.
- Contribute to spreading investment culture and awareness.

The Chairman informed the Committee that EFSA is a public Authority with a legal status and was established in 2009.

The Committee was informed that the Authority was formed to replace the Egyptian Insurance Supervisory Authority, Capital Markets Authority, and the Mortgage Finance Authority in application of the provisions of supervision and regulation of laws and decrees that are part of the mandates of each of the above named authorities. The Chairman gave further insight on the circumstances that led to the formation of one body to oversee the capital markets, mortgage and insurance industries leaving out banks that remain under the Central Bank.

He informed the Committee that financial institutions were now largely multipurpose offering more than the single standard service as was the case in the past with banks dealing with insurance, insurance companies dealing with mortgages, etc. The rationale for having one

overall authority is so that these companies do not escape regulation owing to ambiguity in services offered.

- ' The Committee was further informed that to deal with banks offering mortgage facilities, the Authority was working on a way to regulate such banks. However, currently, banks are being encouraged to provide these mortgage services through mortgage companies instead of offering them directly. Also noteworthy, is the fact that the Central Bank is represented in EFSA's Board by the Vice Governor. Other members of the Board include the General Counsel to the Board of Directors of the Capital Market Authority, the Senior Advisor to the Minister for Investment for Finance Affairs, the Advisor to the Minister of Finance and the Chairman of the Egyptian General Authority for Investment.

The Committee was concerned as to whether there were cases of fraud by stock brokers and if so, how such cases of fraud were dealt with. The Committee also sought to know what mechanisms were in place to compensate investors when such losses occurred.

- ' In this regard, the Chair informed the Committee that there had been instances of losses of investor funds through stock brokers.

The Committee was further informed that;

- (i) EFSA was only responsible for losses through fraud and not for other reasons such as poor investment decisions;
- (ii) while financial crimes were difficult to prove, there was need to deal severely with fraudsters who must be prosecuted and punished if found guilty;
- (iii) with regard to compensation, there is a Scheme Guarantee Fund set up by brokerage firms to which they contribute and step in to aid recovery of investor's money in the event of loss through fraud. The scheme works well and automatically with the contributing brokerages then seriously pursuing the rogue broker with the aim of prosecution.

The Chairman informed the Committee that before stock brokerage firms are licensed to operate, a fair valuation report must be produced. These audits are carried out only by auditing firms listed under the Auditors Oversight Board. There are about 120 registered auditors under EFSA. Violations by such auditing firms can result in being struck off from the register.

CONCLUSION

The study tour enabled the Committee to benefit greatly from the opportunity to engage and exchange information with a view to promote good practice and proper management and utilization of state resources.

The Committee observed the importance of a Parliament empowered to ensure that cases of misappropriation of government funds by state corporations and other departments do not continue to go unchecked. Such violations need to be dealt with severely in accordance with the law in order to defeat impunity.

The Committee further observed that a well run railway service operating to its maximum capacity in a country is extremely essential. This being a strategic component of the country's economy, the Government must ensure that it fully supports its operations and development.

The Committee also observed that financial fraud though often difficult to detect can be limited greatly by the strengthening the Authority overseeing non-bank financial markets by among other means widening its mandate and scope of oversight.

RECOMMENDATIONS

The Committee therefore recommends that the Government facilitates the Office of the Controller and Auditor General through additional financial resources to enhance the production of Value for Money/Performance Auditing.

The Committee further reiterated the recommendation on page 250 of 16th Report the Public Investments Committee that the Government should, with immediate effect terminate the Concession and revert the railway operations to Kenya Railways Corporation.

STUDY VISIT BY THE PUBLIC INVESTMENTS COMMITTEE TO THE PARLIAMENT OF INDIA 14 -18TH AUGUST 2010

Introduction

The Committee undertook a study visit to the Parliament of India in August 2010 with the objective of finding out how a similar committee conducts business, prioritization of issues for consideration bearing in mind the large portfolio of state corporations in both Kenya and India, as well as matters of common interest between the two.

The Committee was further keen to find out the efforts made in the privatization of state corporations and the guiding principles underlying the exercise.

The Committee was taken through a historical background of the Parliament of India and the salient features inherent in its democracy, since 1948 when it attained independence from colonialism.

The Committee was keen to note that the Public Accounts Committee is one of the oldest committees, having been in existence since 1919, when the country was still governed by the British and continued till 1964 when some of its functions were taken over by the Committee on Public Undertakings - which is the equivalent of the Public Investments Committee in the Kenyan Parliament.

The Committee was also taken through the responsibilities of the Comptroller and Auditor General of India and appreciated the challenges both our governments have in moving from the cash based accounting to accrual based accounting.

Members were also keen to find out the operations of financial committees in both Houses, their mandates, membership and operations from the Upper to the lower Houses, and also extending to the States.

Composition of the Delegation

The following Members undertook the visit:

Hon. Yusuf Chanzu, M.P. - Vice Chairman and Leader of delegation

Hon. Silas Ruteere, M.P.

Hon. John Mbadi, M.P.

Hon. Silas Mwaita, M.P.

Officers who accompanied the Committee were;

Mr. John Munge - from the Treasury

Mr. Julius Ng'ang'a - from the Office of the Controller and Auditor General and,

Ms Phyllis Mirungu - from the office of the Clerk of the National Assembly.

Acknowledgment

The Committee wishes to appreciate with gratitude the assistance accorded to the Committee by the Kenya High Commissioner in Delhi and his able staff in organizing the programme and ensuring the coordination and its successful implementation.

The Committee also extends gratitude to the Speaker and Secretary- General of the Parliament of India for hosting the delegation and facilitating the training programme for the Members.

Finally, the Committee is grateful to the Speaker of the National Assembly for allowing the Members to travel and also to the Office of the Clerk of the National Assembly for facilitating their travel and ensuring the production of this Report.

Summary

The Committee was housed by the Parliament of India under the Bureau of Parliamentary Studies and Training. Hon. Oscar Fernandes , M.P. and Member of the Rajya Sabha met the Committee and gave a historical background of the Parliament of India.

Thereafter , senior officers of the Parliament took the Members through the roles played by Parliamentary committees, with emphasis on the three financial committees, i.e. Public Accounts, Estimates and Public undertakings committees. A representative from the office of the Comptroller and Auditor General of India also briefed the Committee on the role of the office.

The Committee also had an opportunity of meeting with its counterpart, the Committee of Public Undertakings where various issues touching on operations of the Committee were raised. Of great significance is the mode of selection of Committee business which ensures timeliness of the issues discussed.

GOVERNMENT

The President of India is the Constitutional head of Unions of 28 states and 7 union territories. The Judiciary is an independent arm of government with the Supreme Court of India at the apex, Controller and Auditor General, Public Service Commission both at the Union and state levels.

The Executive Power is vested with the President and is exercised by him/her either directly or through officers subordinate to him. He/she acts or the advise of the Council of Ministers and is elected by an electoral college which consists of Members of both Houses of Parliament and the Legislative Assemblies of states through a system of proportional representation by means of a single transferable vote.

The Vice President is appointed for a five year term in a similar manner as the President. He acts as President in all circumstances in accordance with the constitution and in case of vacancy in the Presidency, he acts as President until a new President enters /assumes the office.

PARLIAMENT

The Parliament of India is bicameral comprising of Rajya Sabha – Upper House and Lok Sabha- Lower House or the House of the People.

Members of the Lok Sabha are directly elected, once in every five years on the basis of adult suffrage. The constitution envisages the maximum membership to be 552 from which 530 members are directly elected from the states and 20 are elected from the Union territories and 2 are nominated by the President from the Anglo-Indian community if he feels they are not adequately represented.

THE RAJYA SABHA

This is referred to as the Council of States and consists of not more than 250 members, out of which 238 members represent the States and the Union territories while the remaining 12 are nominated by the President for their special knowledge on practical experience in literature, science, art and social service.

The Members are elected according to the system of proportional representation by means of a single transferable vote. Members from the Union territories are chosen in such manner as Parliament may by law prescribe.

Currently, the Rajya Sabha has 245 Members, including 12 nominated members with the minimum age for membership being 30 years. The Members so nominated represent certain special interests in the country and are non-political though they are required to join a political party within 6 months of their appointment.

It is a permanent body and is not subject to dissolution though one-third of its members retire on rotational basis after every two years and are replaced by newly-elected members. The term of an individual member is six years.

Parliamentary Committees

There are two types of Parliamentary committees in the Indian Parliament namely; standing and ad hoc committees.

Standing committees are appointed annually and their work goes on continually while ad hoc committees are appointed for specific purposes and cease to exist on tabling their reports to the House.

Departmentally Related Committees

Departmentally related Committees(DRC) were established in 1993 and their main functions are to legislate, investigate/pass financial budgets of the departments assigned to them and ensure accountability of funds by the respective departments. Membership is 31 with 21 Members from the Lok Sabha and 10 from the Rajya Sabha.

DRCs are 24 in number with a membership of 31. 8 of these committees are serviced by Rajya Sabha and 16 by the Lok Sabha. Members are appointed by the respective Speakers from among the members and their lifespan is one year.

The functions of these committees are as follows;

- Consideration of demands for grants

- Consideration of annual reports
 - Consideration of national basic long term policy documents presented to the House and referred to the Committee by the Chairman of Rajya Sabha or Speaker of Lok Sabha.
- The Committees examine demands for grants by various departments and the House breaks for one month to enable committees to sit to investigate the budgets. They ascertain whether the money allocated was utilized prudently and recommend change in disbursement, either a reduction in a vote or increase in another. They also look into policy matters and not daily administrative issues. Once investigations are concluded, the committees prepare reports for consideration in the House. Sometimes the reports are just noted.
- Special joint committees could be formed to look into new subject areas referred to them but they can only recommend and have no powers to amend votes. The recommendations made by DRC'S are persuasive in nature and are not legally binding.

These committees do thorough investigations and gather information through questionnaires, memoranda from experts and official organizations, and carry out oral examination of witnesses

Financial Committees

These are the Public Accounts Committee, the Public Undertakings Committee and the Estimates Committee.

The Public Accounts Committee

• The Public Accounts Committee(PAC) is the oldest having been formed in 1919 when India was a colony. The colonial finance minister then was the ex-officio Chairman. The Committee looks into accounts of government departments after appropriation and mainly relies on reports of the Comptroller and Auditor General in its investigations.

In its work, the Committee also lays emphasis on value for money audit.

The Committee selects important paragraphs for consideration even though other paragraphs are also examined especially on realization that the committee recommendation has not been satisfactorily done. The other issue that is usually considered is the examination of excess expenditure. In its examination of evidence, the Committee's emphasis is also ensuring that the money spent by various ministries is within the granted funds. The life of the Committee is one year.

The mandate of the Committee as per the Standing Order number 308 is as follows;

- to examine the statement of accounts showing the income and expenditure of state corporations, trading and manufacturing schemes, concerns and projects together with the balance sheets and statements of profit and loss accounts which the President may have required to be prepared or are prepared under provisions of the statutory rules regulating the financing of a particular corporation, trading or manufacturing scheme or concern or project and the report of the Comptroller and Auditor-General thereon;

- To examine the statement of accounts showing the income and expenditure of autonomous and semi-autonomous bodies, the audit of which may be conducted by the comptroller and Auditor-General of India either under the directions of the President or by a statute of Parliament; and
- To consider the report of the Comptroller and Auditor-General in cases where the President may have required him to conduct an audit of any receipts or to examine the accounts of stores and stocks

Committee on Estimates

The Committee was formed in 1960. The main function of Committee is to report what economies, improvements in organisation, efficiency or administrative reform may be effected and to suggest alternative policies to bring about efficiency and economy in administration. The Committee also examines whether the money is well laid out within the limits of the policy implied in the estimates and suggests the form in which the estimates shall be presented to Parliament.

The Committee as required in Standing Order number 311 consists of not more than 30 Members who are elected by the House every year from amongst its members on proportional representation basis.

Committee on Public Undertakings

The Committee was formed in 1964 to specifically look into the accounts of government investments, work which was initially done by the PAC. Currently there are 251 state corporations under the Committee's watch. The Committee examines the reports of the Comptroller and Auditor General (CNAG) and ensures that the corporations are managed in a prudent manner. It looks at corporations with a government equity of 51%. Membership of the Committee is 15 from the Lower House and 7 from the Upper House.

The Committee examines the reports and accounts of Public undertakings, reports of the (CNAG) on the Public Undertakings and also examines whether the affairs of the public undertakings are managed in accordance with sound business principles and prudent commercial practices. The Committee also looks at any other matter that may be allotted to it by the Speaker. The Committee however does not look into day to day administrative matters pertaining to the corporations or matters of major government policy.

Standing Order Number 312A spells out the functions of the Committee as follows:

- (a) To examine the reports and accounts of the public undertakings specified in the Fourth Schedule (public undertakings established by the Central Acts, Government companies formed under the Companies Act and other companies specified in the schedule)
- (b) To examine the reports, if any, of the Comptroller and Auditor-General on the public undertakings;

- (c) To examine in the context of the autonomy and efficiency of the public undertakings whether the affairs of the public undertakings are being managed in accordance with sound business principles and prudent commercial practices; and
- (d) To exercise such other functions vested in the Committee on Public Accounts and the Committee on Estimates in relation to the public undertakings specified in the Fourth Schedule as are not covered by clauses (a), (b) and (c) above and as may be allotted to the committee by the Speaker from time to time:

Provided that the Committee shall not examine and investigate any of the following, namely;

- matters of major Government policy as distinct from business or commercial functions of the public undertakings;
- Matters of day-to-day administration; and
- Matters for the consideration of which machinery is established by any special statute under which a particular public undertaking is established

Reports made by the Committee are presented in both Houses and within 6 months, an action taken report is brought to Parliament for scrutiny after which extra recommendations are made if the Committee is not satisfied with responses given.

Due to the large number of state corporations, the Committee is unable to look at all the audited accounts. Therefore on a yearly basis, the Committee presents 3 types of reports;

- selects 7 (seven) undertakings and reports on them
- Selects any 7 paragraphs on a sector undertaking and reports on them
- the Committee chooses a topic that cuts across all corporations and reports on it

From the year 1991, the Government of India embarked on privatisation of non-strategic corporations and created an Investments Commission to identify the strategic corporations in line with the social responsibility of the government and decide on which corporations the Government would reduce equity or privatise for greater efficiency. The underlying principle is that the government should not compete with the private sector as its role is to offer incentives for private business to thrive.

The three financial committees prepare reports after completing evidence taking and their reports are usually by consensus with no dissenting vote.

Railway Convention Committee

The Railway Convention Committee is an ad-hoc Committee which is constituted from time to time on a resolution adopted by the Lok Sabha and concurred in by Rajya Sabha and consists of 18 members, with 12 appointed by the Speaker of the Lok Sabha while the Chairman Rajya Sabha nominates 6 members.

The railway finances were separated from the general finances of India in 1924, through a resolution by the Central Legislative Assembly which provided for a definite annual contribution from the Railways to the general revenues. The Committee was first constituted in 1949. The Government of India funds all the operations of the railway transport and the parastatal is 100% government owned.

The Committee reviews the rate of dividend which is payable by the Railway Undertaking to the general revenues as well as other related matters in connection with the railway finances and makes recommendations to the House. The Committee suggests the level of appropriation to various funds of Railways like the Depreciation Reserve Fund, Development Fund, Pension Fund, and any other matters referred to it by the House or the Speaker.

The Committee also examines reports touching on the working of railways and railway finances and reports its findings and recommendation to the House.

Its operations are similar to other financial committees. A resolution in the House on any of its reports is moved by the Minister for Railways.

Powers of Committees

The Committees have power to summon a witness or production of any document required by the Committee through an order by the Secretary-General. The Committee is however bound to treat such evidence as secret.

The committees may also appoint one or more study groups for carrying out detailed examination of various subjects under their purview. Information gathered in study visits or in its sittings is confidential and cannot be divulged before the report is laid on the table of the House.

- Permission to be away, for either the committee or the House is granted by the House and the Speaker reads the request and puts the matter to vote in the House. If the question is not negatived, the Speaker grants permission.

- Appointment of Chairs is usually done by the Speaker in consultation with the party leaders. The secretariat of the committee is drawn from the House from where the Chair is appointed.

The office of the Comptroller and Auditor-General(CNAG)

The office of the CNAG is an instrument of fiscal accountability and is enshrined in the constitution and charged with the responsibility of reporting to the legislature on all matters relating to incurring expenditure and raising revenues.

The CNAG heads the Audit Office with a staff complement of 4,500. Constitutional provisions ensure the independence of his office with a 6 year term up the age of 65. The Office is represented by an Auditor General in the states. In the local governments, the office provides technical guidance and support for their audit.

CNAG audits receipts and expenditure of all departments, union and state government companies, corporations, Boards and other agencies set up under an Act of Parliament or State Legislature and any other bodies funded by the Government.

The office advises on format and maintenance of accounts and is currently playing a leading role in changeover from cash accounting to accrual based accounting in government.

Once reports are compiled they are presented to the President who ensures their tabling in Parliament. Reports of states, however, are presented to the Governor who ensures that they are tabled in the respective state legislatures.

The content of the reports of the CNAG mainly encompass the following;

- Overall financial survey,
- Comments on utilization of budget,
- Audit findings of transactions, and
- Performance audits focusing on programme outputs.

The corrective action reports arising out of Committee recommendations have to be vetted by the office before forwarding to Parliament.

The office also plays a crucial role in selection of paragraphs or issues for consideration by the PAC and Committee of Public Undertakings. The office reviews the action taken notes and prepares proposals for queries for the members to ask in their examination of chief executives.

Support Services for Committees

Each Committee has a separate secretariat which ensures that committee reports are written/maintained for continuity purposes. Matters of technical nature are done through consultants who are procured to assist in the hearings for advise. Interpretation services are also provided to all committees.

Hansard services are however not provided to committees while communication to the members is mainly done through email.

Bureau of Parliamentary Studies and Training

The Bureau of Parliamentary Studies and Training (BPST) was established in 1976 and provides opportunities for study and training in various disciplines of parliamentary institutions, processes and procedures to the Members of Parliament and Parliamentary officials.

Activities at the Bureau include holding of Orientation Programmes and Seminars for Members of Parliament and State Legislatures, Lecture series on computer awareness Programmes, Orientation seminars for media persons, Training and Refresher courses for officers and Appreciation Courses for Senior and Middle Level Officers of the Government of India.

- The Bureau conducts two international programmes for foreign parliamentary officials, namely Parliamentary Internship Programme and the International Training Programme in Legislative

Drafting. The Bureau also organizes short training programmes for Members of foreign parliaments, government officials, scholars and students.

Tour of Parliament Buildings

The Committee was taken on a tour of Parliament Buildings and toured the Lok Sabha and the Rajya Sabha and had the honour of attending both Houses and witnessing proceedings in the two Houses.

Tour of Parliamentary Museum and Archives

The museum was inaugurated with the objective of undertaking acquisition, storage and preservation of precious records, historic documents, photographs, objects and articles connected with the origin, growth and functioning of parliamentary institutions in India.

The museum is divided into three distinct sections, namely; museum, archives and photograph sections. The Museum section preserves the portraits and photographs of distinguished freedom fighters and eminent parliamentarians as well as gifts and mementos received from foreign parliaments and visiting delegations. Other items preserved include models of legislative buildings of Indian states and union territories and foreign parliament buildings, photographs and objects of both pre- and post independence period.

The archives section is entrusted with acquisition, cataloguing and preservation of records and historical documents relating to the development of the Indian constitution, growth of parliamentary institutions and private papers/ correspondence of parliamentarians. Several members of parliament have already deposited their diaries, private correspondence with eminent leaders, notes, photographs and other documents connected with their parliamentary work.

The photograph section acquires, classifies and preserves an authentic, comprehensive and up-to-date pictorial record of the history of parliament and its events and activities. The section has so far maintained 13,000 photographs relating to parliamentary events and activities.

The Committee was enthralled by the elaborate museum put up at Parliament buildings which combines both visual and audio recordings of various events in the history of India especially those events that shaped the nation, along with personalities who resisted colonialism and led the emancipation process. The Museum depicts the rich heritage of the Indian people and events leading to the evolution of the modern day Parliament are well captured and offer a breathtaking experience.

Observations

The Committee observed that while the functions of the Public Accounts Committee and the Committee on Public Undertakings compare with the Kenyan experience, the Estimates committee performs tasks that are comparative to the Budget Committee in the Kenyan Parliament.

Despite the similarity in functions, however, the operations of the investments committees differ in the manner in which prioritization of evidence is attained. While the Public Investments Committee in Kenya is bogged down by backlog of unexamined reports of the CNAG, their Indian counterpart has been able to come up with a workable method of ensuring that current matters are handled in addition to the issues raised by the CNAG. This has been made possible by the office of the Comptroller and Auditor General which performs value for money audits, thereby making the issues arising out of the reports current and exhaustive.

The Committee also observed that while the CNAG of India is able to report on current matters in form of performance audits/value for money audits, the Kenyan scenario requires adequate financial and technical assistance to CNAG to enable the hiring of staff in various disciplines, which is a prerequisite for production of such reports. Consideration of value for money audit reports by the Indian financial committees has enhanced efficiency as the reports are current and timely.

The Committee also observed the separation of the main budget from the railway budget, an initiative which has over the years led to the expansion of railway infrastructure. Further deliberate attempt by the Government of India to fund the development of the rail sector was a direct contrast to the situation prevailing at the Kenya Railways Corporation whose performance has been unsatisfactory, even after concession of railway operations.

The Committee also observed the rich heritage captured in the Parliament of India Museum noting that the Kenyan Parliament could likewise consider establishing a similar undertaking with a view to preserving the history of the Parliament and the Kenyan political process within the precincts of Parliament through a museum for posterity and also as a learning tool for the school children and other visitors who frequent parliament buildings.

The Committee further observed that in a bid to ensure that it remained current in the examination of accounts of State Corporations, the Indian counterpart is able to handle postmortem, performance and current audits while at the same time probing issues of general concern to the state corporations and therefore does not lose touch with any one sector. The Committee found the practice both commendable and worth emulating.

The Committee recommends that:

- the Office of the Controller and Auditor General be strengthened adequately in terms of financial and infrastructural resources to enable it hire staff in all disciplines to facilitate the preparation and production of value for money audits;
- The Government should reconsider its decision to continue with the negotiations for concession of the Kenya Railways train operations and find a viable way of funding the railway operations as a social responsibility as pertains in countries which have successfully managed viable railway networks;
- The Speaker could consider the establishment of a Parliament Museum in the precincts of parliament as a means to safeguarding the rich heritage of the Parliament of Kenya and that of the country as a whole.