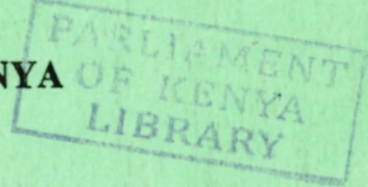




REPUBLIC OF KENYA



NATIONAL ASSEMBLY

TREASURY MEMORANDUM
ON THE
IMPLEMENTATION STATUS
OF THE
THIRTEENTH REPORT
OF THE
PUBLIC INVESTMENTS COMMITTEE
ON THE ACCOUNTS OF
STATE CORPORATIONS

VOLUME II

2007

TREASURY MEMORANDUM

ON THE

THIRTEENTH REPORT

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INTRODUCTION

The Treasury Memorandum on the implementation status of the Thirteenth report of Public Investment Committee on the Audited Accounts of forty one State Corporations is presented herewith. This is the Thirteenth Treasury Memorandum since PIC identified Treasury to prepare and submit such a report on a regular basis.

The Memorandum contains the recommendations of the Committee as adopted by National Assembly on the one hand, and the status of their implementation thereof on the other.

Treasury has collaborated with the 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 and resolutions to prepare this Memorandum.

The Thirteenth Treasury Memorandum is therefore hereby submitted for discussion and adoption.



**JOSEPH K. KINYUA, CBS
PERMANENT SECRETARY/TREASURY
MINISTRY OF FINANCE**

1. KENYA NATIONAL TRADING CORPORATION

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA NATIONAL TRADING CORPORATION FOR THE YEAR ENDED 30TH JUNE, 1997

1.0 FINANCIAL POSITION

The Committee recommends that in view of the fact that the Corporation is commercially unviable and technically insolvent the Corporation be wound up.

Status:- The Government is planning to restructure KNTC in order to redefine its mandate. If found viable, the Corporation will be revamped to create the necessary capacity that will enable it to carry out its responsibilities more efficiently. This will include exploiting emerging business opportunities in the sub-region.

Meanwhile, the Chief Executive Officer has submitted that the Corporation's current financial position has greatly improved over time as its current income exceeds expenses during the year. The Corporation has budgeted for a net profit of Kshs.15,660,000 in 2006/2007 financial year. In addition, it is said that major creditors have been settled and this will have a positive bearing in the balance sheet. Total liabilities reduced from Kshs.599,980,540 in the Financial Year 2004/2005 to Kshs.367,968,980 in the year ended June 2006.

2.0 UNDERSTATEMENT OF DEBTORS

RECOMMENDATION

2.1 The Attorney General should, without further delay prefer criminal charges against the Directors of M/s. Rapsel Ltd., Messrs Joseph Manga Mugwe and Pascal Kiragu Mugwe for obtaining money by false pretence in respect of non-deliverance of fertilizers worth Kshs.7 million.

Status:- The MD, KNTC reports that the corporation was advised by the Attorney General that this was a civil and a criminal matter. KNTC then reported the matter to the CID but according to the corporation there has been no response from the CID. It is further reported that KNTC proceeded to court and obtained judgment for Kshs. 7 Million against Rapsel Ltd but the

corporation is experiencing difficulties in executing the judgment because no assets of the decree creditor can be traced.

2.2 The outstanding amount from the following companies in respect of coffee transferred to them be recovered forthwith:-

M/s Rejitek coffee Co. Ltd	Kshs. 583,390.10
M/s Davco Enterprises	Kshs.3,934,216.70
M/s Less-Gestions Hilarae, Canada	Kshs.4,432,677.08

Status:- (i) Regitek Coffee Co. Ltd – Kshs.583,290.10; KNTC has submitted that following the death of the broker, Mr. Natubhai G Patel and the fact that the debt was irrecoverable, the Board of Directors in its meeting held on 5th July 2005 approved the write off of the entire amount of Kshs.583,290.10.

(ii) Davco Enterprises - Kshs 3,934,216.17; the Corporation states that the above company was indirectly owned by a former employee of the corporation, i.e. Mr. Reuben Ole Nakuo who has since been charged in a court of law with various criminal offenses following losses visited upon the Corporation through his fraudulent activities.

(iii) Les Gestions - Kshs.18,828,260.00; the Corporation states that further investigations by the Corporation revealed that the above company was non-existent but fictitiously used by the former Coffee Manager, Reuben Ole Nakuo to conceal his fraudulent activities. It is one of the charges facing Mr. Ole Nakuo in the said criminal case and as captioned in the charge sheet.

2.3 The Corporation should find ways of recovering the Kshs.500 million being losses of stock occasioned by Mr. David K. Tirop, without further delay.

Status:- KNTC has reported that the Director of CID initiated charges against the former Managing Director of the Corporation Mr. David K. Tirop with criminal offenses under Criminal Case No. 1842/2000 Republic Vs. David K. Tirop in respect of his conduct during his tenure as the Managing Director, KNTC. The accused was acquitted by the Court but the A.G. has appealed against the courts decision. The appeal has not been heard.

2.4 The amount of Kshs.224,450.50 in respect of a car loan be recovered from Mr. Erick Kipkoech Bett.

Status:- It has been reported by KNTC that, the amount of Kshs.243,332 in the debtors' account was in respect of a car loan to Mr. Eric Kipkoech Bett. Out of the above figure, Kshs.18,871.50 was recovered leaving a balance of Kshs.224,450.50. According to KNTC, Mr. Bett's whereabouts are unknown and demand letters posted to him were not responded to. For this reason a suit was not filed. The debt has consequently become time barred and therefore Management sought and obtained authority from the Board to write-off the debt. Subsequently, the debt was written off.

3.0 STOCK LOSSES

RECOMMENDATION

The Committee recommended that the Director of the Kenya Anti-Corruption Commission prefer charges of theft against Mr. Reuben Sarun Ole Nakuo and his wife Mrs. Mary Nasikeu for theft of coffee worth kshs.13,807,746.65.

Status:- The Corporation submits that the Director of CID apprehended and charged in court Mr. Reuben Saruni Ole Nakuo under the Criminal Case No. 141.914.04-CF 3112/04 which is going on. The case last came for hearing on 13th August, 2006 and is pending before court. As at the time of going to print there was no update by KNTC on this matter.

4.0 STAFF PENSION SCHEME

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the balance of Kshs.13,118,478.90 is recovered from Kenya National Assurance Company 2001 and directed to the Pensioners Fund.

Status:- The CEO, KNTC reports that as a result of further efforts to recover funds from Kenya National Assurance (2001) Ltd, the Corporation has been paid a total of Kshs.3,935,543.60 out of the Kshs.13,118,478.90 is owed to the KNTC Pension Scheme. A balance of Kshs.9,182,935.20 is outstanding, but the Corporation reports that it is following up the balance.

5.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Chief Executive should follow up the court case in respect of LR No. 209/10343 to its finalization

Status:- The CEO reports that the plot in question was allocated to the Corporation in 1985 by the Commissioner of Lands. The purpose of the allocation was to enable KNTC to develop an office complex. Upon allocation, all the necessary and requisite payments were made. However, in a letter dated 13th November 1991 the Commissioner of Lands cancelled the allocation and reallocated the plot to other parties. The Corporation was dissatisfied with the above decision and sought judicial remedy through High Court Civil Case No. 153 of 1999. The case is pending in court awaiting a hearing date.

The Committee further recommends that:-

5.1 The Chief Executive should liaise with the Attorney General with a view to preferring criminal charges against Mr. Joseph Manga Mugwe, Wilson Gachanja (former Commissioner of lands), Pascal Kiragu Mugwe, Mr. Paul Kiplelei Magut, the then managing Director and Mrs Grace Adera, the then company Secretary for surrendering and transferring plot no 209/10343 without the Boards' approval in clear violation of the provisions of section 13 of the State Corporation Act (Cap. 446).

Status:- The Attorney General has been requested by Treasury to take appropriate action. At the time of going to print, the AG had not responded as regards the implementation status of this matter.

5.2 The Commissioner of Lands should liaise with the Attorney General with a view to moving the High court for orders of cancellation of title deed L.R. No. 209/10343 fraudulently issued to savings and loan Kenya Ltd and have it allocated to Kenya National Trading Company Ltd or its successor(s),

Status:- The Attorney General has been requested by Treasury to take appropriate action. At the time of going to print, the AG had not responded.

5.3 The Chief Executive should pursue issuance of title deeds for its plot in Iten.

Status:- The Corporation submits that the lease (title) in respect of the plot in Iten has been prepared and the process of its registration is in progress after which the original shall be forwarded to the Corporation for safe custody.

6.0 LONG TERM INVESTMENTS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that procurement regulations in force are adhered to without exception

Status:- The Chief Executive Officer reports that KNTC is applying good corporate governance and observing procurement regulations in force and making sure they are adhered to without exception.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA NATIONAL TRADING CORPORATION FOR THE YEAR ENDED 30TH JUNE, 1998

1.0 BANK AND CASH BALANCES

The Committee recommends that the Chief Executive should ensure that the amount of Kshs.2,187,939.00 is recovered from Kenya Commercial Bank of Kenya.

Status:- The Chief Executive Officer, KNTC reports that all outstanding issues between KNTC and Kenya Commercial Bank were negotiated and concluded in March 2005. The liabilities were written off by KNTC during the Financial Year 2005/2006.

2. COMMUNICATIONS COMMISSION OF KENYA

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF COMMUNICATIONS COMMISSION OF KENYA FOR THE YEAR ENDED 30TH JUNE, 2001

1. KAREN PLOTS L.R. 12445 AND 12550

RECOMMENDATION

- 1.1 The then Chief Executive and Board of Directors of Kenya Posts and Telecommunications Corporation, during whose tenure an amount of Kshs.196,761,385 was irregularly spent on the project should be surcharged by the Inspector General (State Corporations);**

Status:- The Inspector General (Corporations) in his letter of CONF. 268/03 dated 22/11/2006 reports that only preliminary action has been taken on the surcharge process regarding this case

- 1.2 The Director of Criminal Investigations Department should expedite the case of Mr. Chege Kirundi of Benja Investments Ltd, with a view to prosecuting them for obtaining money by false pretences,**

Status:- The Director C.I.D. vide his letter dated 22nd September, 2006 confirms that no action has been taken on this case. The file and documentation on this complaint are reported to be with KACC, who have not forwarded them back to C.I.D for necessary action as required. At the time of printing this report the CID had not provided the implementation status of this recommendation.

- 1.3 The Corporation should follow up the Civil Suit HCC No. 943 of 1999 to its soonest conclusion.**

Status:- The Director General, CCK reports that civil suit HCC No. 943 of 1999 between CCK and Benja Investment Ltd is before the High Court and that it is being followed up.

2. DEBTORS

RECOMMENDATION

The Committee recommends that the Corporation should use all means possible to recover debts from customers and other indebted institutions.

Status:- The Director General, CCK confirms that the Commission is verifying its debts and it shall ensure that all collectable debts are duly collected. In addition the Commission has established a standing debt collection working committee in an effort to realize collections. Meanwhile, the Commission is currently not renewing licenses or giving services to any client until all the outstanding amounts are paid in full.

3. NATIONAL COMMUNICATIONS SECRETARIAT

RECOMMENDATION

The Committee recommends that, pursuant to the Kenya Communications Act 1998, the Corporation should fund the National Communications Secretariat, which should exist independently.

Status:- The Director General, CCK report that the Commission funds the National Communications Secretariat in line with the Kenya Communications Act, 1998. The remittances to the Secretariat by CCK during the financial years 2005/06 and 2006/07 were Kshs. 38 Million and Kshs. 54 Million respectively.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF COMMUNICATIONS COMMISSION OF KENYA FOR THE YEAR ENDED 30TH JUNE, 2002

1.0 SHORT TERM DEPOSITS

RECOMMENDATION

The Committee recommended that, in future, any officer of the Commission who disregards Treasury's Circulars on Investment of surplus funds should be held responsible and dismissed from the service.

Status:- The Chief Executive reports that all officers have been instructed to strictly follow Treasury Circulars on the investment of surplus funds.

2.0 NATIONAL COMMUNICATION SECRETARIATE EXPENDITURE

RECOMMENDATION

The Committee recommended that in view of the fact that the expenditure was irregular and unauthorized, the Ministry should reimburse the Commission Kshs.1,000,000 spent on refurbishing the Minister's office.

Status: The Director General, CCK has written to the Permanent Secretary, Ministry of Information and Communication for a refund of Kshs.1,000,000 (one Million shillings) which was used to refurbish the Minister's office as per the PIC recommendations

3.0 IRREGULAR PAYMENT OF EX-GRATIA AND HONORARIA

RECOMMENDATION

The Committee recommended that the Director-General of the Commission should seek post-facto authority for the payment of honoraria to the staff amounting to Kshs.520,000.

Status:- The Director-General, CCK has written to Ministry of Information and Communications seeking post-facto authority for the payment of honoraria to staff amounting to Kshs.520,000.

The DG reports that in making the above payment, the Commission had relied on the provisions of the Kenya Communications Act which empowers the Board to determine and make such payments.

3. NATIONAL SOCIAL SECURITY FUND

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF NATIONAL SOCIAL SECURITY FUND FOR THE YEAR ENDED 30TH JUNE, 2000

1.0 FINANCIAL PERFORMANCE

RECOMMENDATIONS

The Committee reiterates its earlier recommendations on the 12th report, page 89, that:-

1.1 The Fund should invest only in its core business.

Status:- The Managing Trustee, NSSF has submitted that the Fund is no longer investing in land purchases. It is now investing funds in reputable financial institutions such as Barclays Bank, Kenya Commercial Bank as well as Treasury Bonds and Treasury Bills.

1.2 The Managing Trustee should ensure that surplus funds are prudently invested in accordance with Treasury circulars, as may be issued from time to time.

Status:- The MT, NSSF has stated that Fund now ensures that surplus funds are invested prudently in accordance with Treasury circulars, NSSF Act 258 and Retirement Benefits Authority regulations. The Fund is disposing of some of its pieces of land in order to comply with the RBA regulations which require among other things that investment in real estates be not more than 30% of the Fund value. As at 30th June, 2006 the investment in land and buildings stood at 39.3% of the Fund value. All funds received including receipts from sale of land, are invested in Treasury Bonds, Treasury bills as well as shares in Barclays Bank, Kenya Commercial Bank and other blue like East African Portland Cement, KenGen chip companies etc.

1.3 The Committee recommends that the Fund should rationalize its administration costs to be commensurate with its income,

Status:- The MT, NSSF reports that the Fund has put in place the necessary controls to bring down administration costs so that they are commensurate with the income earned with a view to clearing the existing deficit. By the same token the Fund has started trading in shares to improve its revenue base. As at 30th June, 2006 the unaudited accounts of the Fund reflected

a surplus of Kshs.2,117,346,000 which is an indication of improved performance as shown here below:-

	As at <u>30.6.2006</u>	As at <u>30.06.2000</u>
Income	4,216,241,000	1,952,948,000
<u>Expenditure</u>		
Staff Costs	1,810,075,000	1,225,665,000
Administration Costs	671,242,000	878,884,000
Depreciation	82,983,000	44,873,000
Provisions, etc	<u>(465,405,000)</u>	<u>199,497,000</u>
TOTAL	<u>2,098,895,000</u>	<u>2,348,919,000</u>
	<u>2,117,346,000</u>	<u>(395,971,000)</u>

1.4 The Committee further recommends that the fund should only utilize the services of registered Estate Agents to manage and/or let its properties and in future, any officer(s) involved in transacting and/or contracting any firm to provide such service with a firm(s) which is not registered should be dismissed from service,

Status:- The MT, NSSF confirms that the Fund is currently using the services of Registered Managing Agents as per Estates Agents Act Cap. 533 who are sourced through competitive bidding. Currently the properties of the Fund are being managed by the following managing agents:-

<u>Property</u>	<u>Managing Agent</u>
Social Security House, Nairobi	GIMCO Ltd.
Bruce House, Nairobi	Value Zone Ltd.
View Park Towers, Nairobi	Landmark Realtors Ltd.
Hazina Towers, Nairobi	Landmark Realtors Ltd.
Social Security House, Mombasa	Villacare Ltd.
Hazina Trade Centre, Nairobi	NSSF (only one tenant)

1.5 The Committee further recommends that the Attorney-General should take action against the directors of M/s Regent Management Ltd, who are not registered Estate Agents, for transaction Estate Agent business while they are not registered, contrary to the Estate Agents Act (Cap. 533),

Status:- The Attorney General was requested vide letter Ref. CONF.268/03 of 22/11/2006 and a reminder on 24/01/2007 by Treasury to take appropriate action. By the time we went to print, we were still awaiting a response from the AG.

1.6 The Committee also recommends that the Corporation should institute legal proceedings to recover the amounts paid to M/s Regent Management Ltd.

Status:- The MT, NSSF states that the Fund is of the view that legal proceedings may not succeed because section 13 (1) (e) of the Estate Agents Act (Cap.533) may be applied in defence by the defendant.

2.0 YEAR 2000 COMPUTER CONVERSION CONTRACT

RECOMMENDATION

2.1 The Committee recommends that the then Managing Trustee Mr. David Masika be held responsible for irregular award of the year 2000 computer conversion contract and be surcharged for improper expenditure of Kshs.73,769,676.

Status:- Inspector General (Corporations) has submitted that the surcharge against Mr. David Masika for Kshs.73,769,676.00 could not be carried due to lack of sufficient evidence.

2.2 The then director of M/s Tandam Park Consultants who knowingly received payments for delivery and supply of a non-working system be investigated by the Director of Criminal Investigations Department with a view to preferring Criminal charges against them.

Status:- The MT, NSSF states that the Fund filed a counter claim against Tandam Park Limited to recover kshs.73,769,676/= after the suit filed by Tandam Park Limited was dismissed by the court. The counter claim under court case HCCC No. 1990 of 2000 had been fixed for hearing on 24th November, 2005 and could not be heard because counsel for Tandam Park Ltd. sought to withdraw action for the consultants.

The counterclaim therefore could not proceed until the matter of representation was resolved. The said advocates have obtained leave from the court to serve their application to cease acting for Tandam Park Ltd. by way of substituted service in the local dailies. The case has however not been heard yet.

At the same time Treasury requested the Commissioner of Police on 22/09/2006 to take appropriate action. At the time of going to print, the Commissioner of Police had not responded.

2.3 The Directors of M/s Tandem Park Consultants and companies associated with them be blacklisted and precluded from award of government tenders for abetting irregularities in tendering procedures and receiving money by false pretence,

Status:- The MT, NSSF reports that the Fund, has not awarded any tender to M/s Tandam Park Consultants and companies associated with them since the award of year 2000 computer conversion contract Treasury has also written to the Attorney General vide letter Ref. CONF.268/03 dated 22/11/2006 and a reminder on 24/01/2007 for advice and action for blacklisting and precluding M/s Tandam Park Consultants from participating in GOK tenders.

By the time of going to print, we were still awaiting a response from the Commissioner of Police

2.4 The then Managing Trustee be barred from holding public office conferred by the Republic of Kenya for abuse of office.

Status:- Treasury has written to the Inspectorate of State Corporations vide letter Ref. CONF268/03 as regards this recommendation for appropriate action. At the time of going to print, the IG (C) had not responded.

3.0 PAYMENT OF LEGAL FEES

RECOMMENDATION

3.1 The Managing Trustee should ensure that the previous payment of Kshs.291,782,673.30 made to M/s Kilonzo and Co. Advocates and others be referred to the High Court for taxation without further delay.

Status:- The MT, NSSF states that the firm of Kilonzo & Advocates filed his Bill of Costs for taxation in H.C. Misc NO. 67 of 2005, which was scheduled for hearing on 28th November, 2006. However the matter has not been heard yet.

3.2 The Commissioner of V.A.T. and the Director of the Kenya Anti-corruption Commission should investigate whether Kshs.291,782,673.30 is as per the law and if not, demand the same immediately from the concerned firms.

Status:- The MT, NSSF states that the Fund has written to the Commissioner of V.A.T. and to the Director of the KACC and is waiting for the responses. The Director, KACC has indicated

that investigations have commenced and the Commission will report on the progress made on this recommendation.

- 3.3 The Fund should not pay the amount of Kshs.278,712,167 being claimed by M/s Kilonzo and Company Advocates and should employ all possible measures to ensure that the interests of the Fund are safeguarded in this respect.**

Status:- The MT, NSSF states that the Fund's Advocates Mohamed Muigai & Co Advocates filed application H.C. Misc No. 660/2005 to stay the aforementioned bill of costs and have petitioned the Court to order that Kilonzo & Advocates file and deliver a fully itemized Bill of Cost for HCCC No. 914/1994. An amount of Kshs.278,712,167 has to-date not been paid to M/s. Kilonzo and Co. Advocates. The matter is pending before court.

4.0 MOKTAR DADDAH STREET PROJECT

RECOMMENDATION

The Committee recommends that since the claim by the contractor is unrealistic and outrageous bearing in mind that the project was reduced by a mere 30%, which the fund substantially performed in the contract, the issue be handled in a manner that the interests of the Fund are safeguarded.

Status:- The MT, NSSF states that the contractor has made demand for payment on the scaling down of the project for loss of profit but no suit has been filed yet. In this regard, the Contractor filed a claim with the Fund which has been forwarded to Ministry of Roads and Public Works for evaluation as was recommended by the Board of Trustees. At the time of going to print, the report of the Ministry of Public Works had not been made available to Treasury.

5.0 NYAYO ESTATE, EMBAKASI

RECOMMENDATION

The Committee reiterates its earlier recommendation on its 10th report page 5 that:-

- 5.1 The Former Managing Trustee Mr. Samuel Muindi be investigated by the Director of Criminal Investigations Department and the Attorney General for possible abuse of**

office and fraud with a view to being prosecuted and surcharged for recovery of the losses.

Status:- Treasury has written to the Commissioner of Police and A.G. vide its letter Ref. CONF.268/03 of 22/11/2006 requesting for appropriate action with regard to this recommendation. At the time of going to print, neither the Commissioner nor the AG had responded.

5.2 The Fund should institute civil suit against M/s Mugoya Constructions and Engineering Company with a view to recovering the overpayments made and losses occasioned by breach of contract.

Status:- The MT, NSSF reports that the Fund seeks to recover the overpayments made to Mugoya Construction and Engineering in the Arbitration proceedings already filed.

The hearing of the Arbitration has not been heard because of the legal status of Mugoya Engineering Co i.e. the Company is under receivership.

5.3 The then Managing Trustee, Mr. Samuel Muindi, the Architects and Consultants, mentioned should be investigated by the Kenya Anti-corruption Commission on their roles on the issuance of questionable certificates of works on the project which led to overpayments with a view to recovering the losses incurred.

Status:- The Director, KACC has indicated that Investigations by the Commission have commenced and progress report will be furnished to PIC once the exercise is concluded.

The Committee Further recommends that:-

5.4 M/s Mugoya Construction and Engineering Company and its directors should be prohibited from ever participating and/or award of contracts by the Government of Kenya and/or its related agencies.

Status:- The MT, NSSF confirms that the Fund has since not awarded any other work to Mugoya Construction and Engineering Company in compliance with this recommendation. Further, the contract on Nyayo Estate, Embakasi was terminated. Meanwhile, the AG has been requested vide letter Ref. CONF 268/03 of 22nd November 2006 by Treasury to cause the implementation of this recommendation for other Government

Ministries and Departments. At the time of going to print, the AG had not responded.

5.5 The fund should conduct an evaluation of the project to determine its viability and proceed prudently.

Status:- The MT, NSSF reports that an evaluation was carried out after which the work was awarded to a new contractor who is now on site.

5.6 The Fund should lodge a formal complaint with the Architects and Quantity Surveyors Board for professional misconduct by M/s Symbion International Architects and its directors.

Status:- The MT, NSSF reports that in order to stand a good chance of success, the Fund intends to lodge a formal complaint once the arbitration between the Fund and Mugoya Construction and Engineering Company is heard and determined.

6.0 OUTERING ROAD PLOT

RECOMMENDATION

The Committee Recommends that:-

6.1 The Chief Executive should report the matter of over-valuation of the land by M/s Milligan and Company to the Valuers Registration Board for professional misconduct and negligence with a view to recovering the losses through their insurance.

Status:- According to the MT, NSSF the Fund did report Milligan & Co Ltd to the Institute of Surveyors of Kenya for professional misconduct. According to the Fund the ISK has since written back to the Fund seeking additional information to facilitate appropriate action by the Institute.

In the meantime, the Fund has since received three offers totalling to Kshs.124,500,000:=- for the purchase of the Outer Ring Plot, and a deposit has been received from the three prospective purchasers.

The MT further reports that the Fund intends to sell the Outer Ring Plot at the cost at which the property was purchased.

6.2 In view of the fact that the file for M/s Multipurpose Cooperative Development Centre Ltd. has since disappeared from the Registrar of Companies, the Fund should report the matter to the Kenya Anti-corruption Commission with a view to

identifying the directors of the firm for possible prosecution if found culpable.

Status:- Both Treasury and the Fund have written to KACC as recommended for appropriate action. By the time we went to print, we were still awaiting a response from KACC.

7.0 INVESTMENT IN PROPERTIES

RECOMMENDATION

The Committee recommends that:-

7.1 The Chief Executive should ensure that a qualified valuer/property manager is always engaged to avoid such occurrences.

Status:- The MT, NSSF states that apart from the Nyayo Estate, Embakasi Project which is ongoing, the Fund is to concentrate on its core functions. Accordingly no more land purchases and house constructions will be undertaken by the Fund.

7.2 The Chief Executive Officer should always identify source of funding before commencement of feasibility studies in any project to avoid wastage of public funds.

Status:- The MT, NSSF reports that the Fund will not commence on any feasibility studies unless it is already assured that funds are available for that project. The ongoing Nyayo Estate Embakasi, is moving well because the Fund has planned for payments to the contractors to be made as they fall due after certification.

8.0 LOANS AND DEPOSITS IN NATIONAL BANK OF KENYA LTD

RECOMMENDATION

The Committee recommends that the Fund should review its investment policy at the National Bank of Kenya including redemption of all the deposits being held at the Bank.

Status:- The MT, NSSF reports that the Fund has reviewed its investment policy on National Bank of Kenya and resolved not to put more funds in the bank. Furthermore the Government is in the process of restructuring the Bank with a view to privatising it through the sale of both Government of Kenya

and NSSF shareholdings to the public or, alternatively, to a strategic investor under the auspices of the Financial and Legal Sector Technical Assistance Project of the Ministry of Finance.

9.0 MEMBERS CONTRIBUTION

RECOMMENDATION

The Committee recommends that further measures be taken to reduce the suspense account and that where records are not available for verification, the suspense account be represented by an equal amount of assets and the same be reflected in the books of accounts of the Fund.

Status:- The MT, NSSF reports that the Fund has taken appropriate measures to minimise the Suspense Account, as follows:-

- i) A unit has been created with an objective of bringing the Suspense Account to a minimum level
- ii) A new system called Contribution Management system (CMS) has been established which is able to account for all returns submitted by employers by ensuring that all contributions received contain full employees' details
- iii) A database is presently being maintained which stores all returns submitted with invalid, or with no, Fund member numbers.
- iv) Appropriate action is being taken faster to liaise with employers with a view to collecting the missing data that will enable to Fund update the members' accounts.
- v) Speedy liaison with employees for the provision of members full information.

As at 13th March, 2006 the suspense account amounted to 15% of the total contributions (members' funds) as compared 30th June, 2003 when it was 27.4%.

To avoid errors of omission, the accumulated members' fund account incorporates the suspense account figures.

The Committee further recommends that the Chief Executive should ensure that the Pensioners Fund is secure and benefits the contributors.

Status:- The MT, NSSF reports that she is ensuring that surplus funds are invested prudently in accordance with the regulations in place to ensure that the Fund receives maximum returns on investments for the benefit of contributors and that the beneficiaries are paid when the claims fall due

To realize this objective it is reported that the Fund has managed to reduce its real estate to 39.3% of the Fund's value instead and invested in areas with high returns on investments. The reduction will continue as the prices of real estates improve, to comply with the requirements of Retirement Benefit Authority to the effect that the real estates of the pension fund should not be more than 30% of the Fund's value

4. KENYA WILDLIFE SERVICES

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA WILDLIFE SERVICES FOR THE YEAR 1999/2000

1.0 FIXED ASSETS

RECOMMENDATION

- 1.1 **The Commissioner of Lands should cancel all title deeds/revoke title documents irregularly allocated with immediate effect with a view to having the same parcels revert to the Service,**

Status:- The Director, KWS submits that Kanu Youth Group surrendered the title of 60 acres of land to the Commissioner of Lands who is in the process of transferring it to KWS.

The Commissioner of Lands has revoked a number of letters of allotment with a view to having the parcels of land reverted to the KWS, while for some the Commissioner is reportedly awaiting the Attorney General to move to court with a view to having the said parcel re-allocated to the KWS.

- 1.2 **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:- KWS reports that of its parcels of land, some have title deeds issued while others are in the process of preparation of deed plan and others are awaiting survey to be done.

- 1.3 **All structures that have been developed on the buffer zone (30 meters stretch after the high tide zone) along the Indian Ocean coastline be demolished with immediate effect.**

Status:- It is reported that KWS has embarked on the process of demolishing all the structures that have been developed on the buffer zone (30 meters stretch after the high tide zone) along the Indian Ocean Coastline as recommended by the Public Investment Committee. A private surveyor has been identified to survey the area to facilitate the demolition.

- 1.4 **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:- Treasury has vide its letter Ref. CONF 268/03 of 22nd November, 2006 requested AG to take appropriate action with respect to this recommendation. A response from the AG was still awaited at the time of going to print

2.0 STAFF ADVANCES

RECOMMENDATION

The Committee recommends that the Chief Executive Officer should ensure that imprests are surrendered in accordance with Government Regulations.

Status:- The CEO, KWS reports that amount of Kshs.10,402,784.00 being medical expenses incurred by deceased staff was written off by the Board of Trustees in a meeting held on 27th July 2006.

The CEO, KWS confirms that, going forward; mechanisms have been put in place to ensure that rules and regulations governing the issuance and surrender of imprests are strictly observed.

5. TEACHERS SERVICE COMMISSION

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF TEACHERS SERVICE COMMISSION FOR THE YEAR 1999/2000

1.0 DEBTORS

RECOMMENDATION

The Committee recommends that:-

- 1.1 **The Attorney General institutes legal proceedings against Mr. Maingi Gateri and others with a view to recovering the Kshs.19,110,857 being money lost by the Commission through fraud. This should include attaching properties bought using the stolen money.**

Status:- The Secretary, Teachers Service Commission confirms that the case was forwarded to the Attorney General vide the letter reference TSC/CONF/145/Vol.II/35 dated 1/11/2004. In this letter the Attorney General was requested to institute legal proceedings to recover Kshs.19,110,587.20. It is reported that the AG has advised that the matter is statutory barred, since the matter arose in 1994. However, according to TSC the AG is arranging to apply for extension of limitation period in order to have the matter heard.

- 1.2 **The Director of Criminal Investigations should with immediate effect investigate and where possible arrest and prosecute Messrs: Kenneth Bunyali, A.K. Riungu, and J.N. Karema for loss of cash amounting to Kshs.518,330.30 from District Education Officer in Vihiga and Murang'a.**

Status:- The Secretary, TSC confirms that a total of Kshs.353,976 00 was recovered, administratively from Mr. J. M. Njoroge who was the paying officer in Vihiga. However the balance of Kshs.164,356.75 attributable to Messrs J. W. Karema and Riungu is outstanding. The matter was reported to CID on 1/11/2004 by TSC. In addition, Treasury has requested the Commissioner of Police to take appropriate action. The Commissioner will report separately in the progress made so far.

- 1.3 **The Chief Executive should report the case of loss of cash through fraud by Mr. Peter Maingi Gateri and others to the Kenya Anti-Corruption Commission for necessary action.**

Status:- The Director, Kenya Anti-Corruption Commission has been requested vide letter Ref. No. CONF 268/03 dated 1st December, 2007 by Treasury for appropriate action. KACC has indicated that investigations have commenced

1.2 The Chief Executive should follow these cases expeditiously to their conclusive end and ensure that the funds are recovered.

Status:- The Secretary, Teachers Service Commission confirms that all efforts have been made to ensure that funds are recovered. It is reported that he has forwarded the case to the following arms of government for action:-

- Attorney General Vide letter Ref. No. TSC/CONF/145 Vol.II/35 dated 1/11/2004 to Ref. No. TSC/CONF/39 Vol.X/72 dated 7/03/2005 to A.G.
- CID vide letter Ref. No TSC/CONF/145 Vol.II/34 dated 1/11/2004 to Director – C.I.D

By the time we went to print, we were still awaiting a response from the AG and CID.

2.0 OVERPAYMENT OF SALARIES AND ALLOWANCES

RECOMMENDATION

The Committee recommended that:-

2.1 The Chief Executive executes full recovery of the outstanding overpayments.

Status:- The Secretary, Teachers Service Commission confirms that recoveries are being made as the Committee directed. Out of the total over payment of Kshs.2,519,978.10 an amount of Kshs.1,790,257.55 has been fully recovered leaving an outstanding balance of Kshs 62,009.75 as at 21/09/2006.

2.2 The Attorney General expedites the case against Anastasia Nandwa for recovery of Kshs.232,330.85.

Status:- The Secretary, Teachers Service Commission confirms that A. Nandwa, TSC No. 932823 correct total overpayment was Kshs.253,664.85 which TSC has since been fully recovered. The overpayment arose due to the fact that the concerned officer inadvertently remained in the payroll after joining Moi University.

2.3 The Commission puts in place effective internal controls to stem overpayment and other financial losses.

Status:- The Chief Executive Officer, TSC confirms that proper and effective internal controls have been put in place to check on the incidents of overpayments and other financial losses.

3.0 CASH ON HAND AND BANK

RECOMMENDATION

The Committee reiterates its earlier recommendation on the 12th report that stale cheques are brought to account as required by Commission's accounting regulations.

Status:- The Secretary, TSC reports that any cheque drawn by the bank can be presented for payment within six months. After six months, any cheque not presented becomes stale and is credited to stale cheques account. Cheques that remain in the stale cheque account beyond six years, become statutory barred and are transferred to accumulated fund account.

4.0 PROMOTION ON MERIT

RECOMMENDATION

The Committee recommends that the Commission must exercise its responsibility of promoting Teachers as bestowed upon it by the Act.

Status:- The Chief Executive Office confirms that teachers are now promoted by TSC by virtue of the powers vested in the Commission by its Act.

6. KENYA AIRPORTS AUTHORITY

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA AIRPORTS AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 1998

1.0 FIRE FIGHTING EQUIPMENT

RECOMMEDATION

The Committee recommends that:-

- 1.0 The Director of Criminal Investigations Department should immediately commence investigations into the procurement of the fire fighting equipment and the circumstances under which documents relating to the adjudication and award of the tender disappeared from the Authority with view to preferring appropriate criminal charges to any person(s) found culpable in connection with the matter.**

Status:- The Chief Executive Officer, Kenya Airports Authority reports that the Authority wrote to the Director of Criminal Investigations Department on 28th November, 2006 vide letter Ref. No. KAA 3/26 Vol.3 to commence investigations into the procurement of the fire fighting equipment and the disappearance of documents relating to the tender and to prefer criminal charges against the officers involved. In addition, Treasury also wrote to the Commissioner of Police requesting the Commissioner to take appropriate action. The Commissioner of Police will report separately on the progress made so far.

- 1.2 The Authority must adhere to procurement procedures and regulations currently in force in acquisition of goods and services.**

Status:- The CEO, KAA has reported that proper procurement procedures and regulations currently in force in acquisition of goods and services are adhered to in accordance with the the Public Procurement and Disposal Act 2005 and its amendments.

2.0 REPAIR OF LEAKING ROOFS

RECOMMENDATION

The Committee recommended that where there are additional works to be undertaken after awarding a tender, such works should be

deemed to be fresh works and procurement regulations should be adhered to in awarding contracts for such additional works.

Status:- The Chief Executive Officer, KAA has reported that the Authority is complying with proper procurement procedures and regulations currently in force in the acquisition of goods and services are adhered to in accordance with the Public Procurement and Disposal Act 2005 with its amendments

3.0 REHABILITATION OF UNIT 3 AND STATE PAVILION APRONS AT JKIA-CONTRACT NO. KAA/KJA/363/C

RECOMMENDATION

The Committee recommends that the Authority should initiate projects only when there is adequate budgetary allocation. The Committee further recommends that procurement procedures should be followed.

Status:- The Chief Executive Officer, KAA has confirmed that all projects are initiated only after confirmation that there is adequate budgetary allocation. Further, the Board and the Chief Executive have ensured that proper procurement procedures and regulations currently in force in the acquisition of goods and services are adhered to in accordance with the Public Procurement and Disposal Act 2005 with its amendments.

4.0 LOSS OF REVENUE ON CREDIT NOTES

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that proper credit note procedures are followed in all transactions of the Authority before being handed over to debtors.

Status:- The Chief Executive Officer, KAA has reported that proper credit note procedures are currently being followed.

5.0 AIRPORT CONCESSION FEES AND RENT INCOME

RECOMMENDATION

The Committee recommends that the Authority should obtain certified accounts from the four companies with a view to establishing the correct concession fees payable and demand the difference.

Status:- The Chief Executive Officer, KAA has reported that he wrote to the four companies vide letters No KAA/6/24 Vol.3 dated 29th November, 2006 asking for audited accounts for the period under review. The accounts will assist the Authority to establish the correct concession fees payable and to demand the difference, if any.

6.0 RENT INCOME

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that security deposit is always paid and proper invoicing done.

The Committee further recommends that the cases regarding the balance of Kshs.4,400,131.20 are followed to their conclusion.

Status:- The CEO, KAA states that the cases are pending in court.

7.0 PURCHASE OF BROCHURES FOR ELDORET AIRPORT

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that officer(s) who authorized and made the payments of Kshs.1,302,960 to M/s Bush Drum should be surcharged the difference of Kshs.203,815.00 by the Inspector General Corporations).

Status:- The Chief Executive Officer wrote to the Inspectorate of State Corporations vide letter Ref No KAA/6/24/Vol 3 dated 28th November, 2006 requesting him to surcharge the former Managing Director Mr. P K Langat the difference of Kshs.203,815.00. The ISC has started surcharge investigations on the case according to their letter Ref. OP 14/22A/ISC/IV/125 dated 4th January, 2007.

8.0 DEBTORS AND RECEIVABLES

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that all outstanding imprest is recovered from the holder without further delay.

Status:- The Chief Executive confirms that all imprest has been recovered with the exception of Kshs. 385,780.00 owed by Mr.

Martin Rutha. The Authority took him to court and lost the case. The total amount owed was subsequently written off.

With regard to recovery of the debt of Kshs.40,000 and Kshs.16,184.45 owed by Messrs Keter and J.B. Okara respectively, the fund has requested IG (C) to assist in the recovery. The ISC is collecting relevant evidence in order to take appropriate action.

7. KENYA TOURIST DEVELOPMENT CORPORATION

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA TOURIST DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30TH JUNE, 1997

1.0 REVOLVING FUND LOANS

RECOMMENDATION

The Committee recommends that the Corporation should expeditiously pursue and continue to redeem the loans and the cases pending in court should be concluded.

Status:- The Managing Director, Kenya Tourist Development Corporation submits that the Corporation has put in place mechanisms to pursue and recover the loans advanced. Out of the 44 loan beneficiaries reported, 16 or 36% have since redeemed their loans in subsequent years. The others are servicing their loans according to arrangements mutually agreed upon. The Corporation is aggressively following up the recovery of the outstanding loans. It is reported that the Corporation loan funds are secured and insured.

2.0 INVESTMENT AND LOANS

RECOMMENDATION

The Committee recommends that the Corporation should strive to redeem all its loans including those extended to the following hotels and lodges.

Status:- The MD, KTDC has submitted that due to the slump experience in tourism industry through the 1990's coupled with the location of most hotels and lodges under reference resulted in poor loan recoveries. According to KTDC the industry is picking up and the rate of loan recoveries has increased from Kshs.2,320,000 in 1995/96 to over Kshs.9,737,435 in 1998/99. In 2003/04 the Corporation recovered over Kshs.12,126,162 and this is projected to improve further during the current financial year.

Due to the recovery of tourism the Corporation is earning dividends from some of the investments. KTDC's equity investments are expected to be recouped once the properties are leased and/or privatized. The Corporation will make provisions for possible diminution in value of equity

investments once it is established that realization of such investment is doubtful

3.0 WATALII STREET PROJECT

RECOMMENDATION

The Committee recommends that the Corporation, in concurrence with the parent ministry and the Treasury should continue to look for investors to undertake the project and ensure that it recovers the amount of Kshs.38,549,827 already spent on it.

Status:- The MD submits that due to the changes in the investment climate, the Corporation is now negotiating with a number of investors to undertake the project using the available designs and feasibility study. The Corporation's participation will be limited to the value of land and costs already incurred. According to KTDC, feasibility studies indicate that the project is viable.

4.0 FIXED DEPOSIT

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that requirements of the Treasury and other government circulars are adhered to without exception.

Status:- The MD reports that as per the Treasury Circular No. 351/03 of 1993 where the sale proceeds are to be deposited in an interest bearing account operated jointly by the Chief Executive Officer and Permanent Secretary, Treasury, the Corporation has not been complying. There are however consultations going on between the Ministry of Tourism and Treasury to ensure that the above policy is adhered to, and to assist the Corporation to undertake sustainable reforms.

5.0 DEBTORS AND REPAYMENTS

RECOMMENDATION

The Committee recommends that the Chief Executive should provide for the doubtful debts and continue efforts to recover the debts.

Status:- The CEO, KTDC submits that some of the accounts which were thought to be dormant, some recoveries have been made. According to the Corporation, the accrued dividend income

which was not declared as such but treated as income has been reversed. The Corporation is analyzing long outstanding doubtful debts for provisioning in the accounts so as to clean up the balance sheet.

6.0 IRREGULAR PAYMENTS OF HOUSE RENT

RECOMMENDATION

The Committee recommends that the Chief Executive should recover the amount of Kshs.196,972.95 from the then Chief Executive Mr. William Arap Chelashaw on account of rent overpayment in disregard of his terms and conditions of service at the Corporation.

Status:- The CEO, KTDC submits that the former MD, Mr. William Chelashaw was paid a monthly house allowance of Kshs.65,000 by KTDC thus saving the corporation a total of kshs.30,000 per month. Meanwhile, the corporation house earmarked for the MD was rented out at a monthly rent of Kshs.95,000/-.

8. POSTAL CORPORATION OF KENYA

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF POSTAL CORPORATION OF KENYA FOR THE YEAR ENDED 30TH JUNE, 2000

1.0 LAND AND BUILDINGS

RECOMMENDATION

The Committee Recommends that:-

- 1.1 The Transitional Management Committee should, within a period of one year, finalize its pending work, which includes vesting of securities, properties and court cases (legal suits) and staff matters (gratuity and Pension).**

Status:- The Post Master General has submitted that the Transitional Management Committee completed investment of securities, properties, court cases and liabilities in relation to former employees of KPTC. The investment was effected by legal notice No.152-158 in the Kenya Gazette supplement No. 81 of the 17th November, 2006.

- 1.2 The Commissioner of Lands should revoke the allocation of plot LOA Ref. No. 37/272/5 irregularly made to Mr. and Mrs Njoroge Keru while the Chief Executive should pursue the matter to its conclusion.**

Status:- The CEO, PCK has reported that plot LOA Ref. No. 37/272.5 was never vested to Postal Corporation of Kenya (PCK). The plot was however allocated to a Mr. and Mrs. John Keru who have since obtained a title. This has made it rather difficult to sustain a suit hence the case has since been forwarded to the Ndungu Land Commission for appropriate action.

- 1.3 The Post-Master General should place a caveat on land LOA. Ref. No. 37/272/5 while pursuing repossession of the parcel.**

Status:- It has been reported by PCK that a caveat was registered against the subject property on 29th January, 2002.

3.0 WORK IN PROGRESS

RECOMMENDATION

The Committee recommends that before any project is commenced, the Corporation should ensure that there is adequate funding to avoid colossal sums of money in dormant projects.

The Committee further recommends that the respective Board members and management who made the decisions to initiate the project that have resulted in waste of public funds be investigated by the Kenya Anti Corruption Commission with a view to recovering the amounts spent.

Status:- The Post-Master General confirms that the Corporation has put in place elaborate procedures to ensure that adequate funds are available to complete the projects.

However, according to the PMG efforts to get the names and management who made the decision in late 1980's from the defunct KPTC were futile.

4.0 IRREGULAR PROCUREMENT OF GOODS AND SERVICES

RECOMMENDATION

The Committee recommends that the Corporation must adhere to the laid down procurement procedures in procurement of goods and services.

Status:- The Post Master General confirms that the Corporation strictly abides by the procurement procedures currently.

5.0 REVALUATION RESERVE AND GENERAL RESERVE ACCOUNT

RECOMMENDATION

The Committee recommends that the Chief Executive should provide supporting documents for these prior year adjustments including the whereabouts of the short-term deposits of Kshs.143,389,550.00 to the Controller and Auditor General for verification.

The Committee further recommends that the Corporation should identify all its assets and maintain an updated register of all its assets and associated values.

Status:- The PMG has submitted that, the bank accounts of the defunct KPTC were closed upon the split of the Corporation on

1st July 1999. Funds in the accounts prior to the split were transferred to A/c No. 229-972-557 at KCB – Kencom House. The sum of Kshs.143,389,550 reflected on the last KPTC A/c has not been remitted to the Corporation. The Technical Management Committee is following the matter together with the other outstanding issues.

Meanwhile the PMG reports that the Corporation has commissioned land valuers to identify value and tag all its assets. The work commenced on 25th June 2006 and so far the field work has been completed. The draft report has been received and perused and comments have been forwarded to the consulting firm.

The firm is now preparing a final report for submission to the Corporation. On completion of the exercise, PCK will have an updated assets register and associated values.

9. KENYA DAIRY BOARD

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA DAIRY BOARD FOR THE YEAR ENDED 30TH JUNE 1996

1.0 SUBMISSION OF ACCOUNTS

RECOMMENDATION

The Committee recommended that the Corporation should always submit its accounts for audit as per statutory period and that any officers who cause delay should be dismissed from service.

Status:- The CEO reports that KDB currently prepares and submits its accounts for audit as required by law. To maintain this, the Board has computerized its accounting system and employed adequate and qualified staff.

In addition, the Chief Executive officer has confirmed that the entire accounting system has been computerized. It is also reported that adequate and qualified staff employed resulting in timely submission of accounts.

2.0 FINANCIAL POSITION

RECOMMENDATION

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

Status:- The Board and the Chief Executive have taken the following measures to improve revenue generation.

- (a) Reviewed cess upwards from 0.2 cts per litre to 20 cts per litre.
- (b) Control of cheap imports by imposing import levy on all dairy products entering the country.
- (c) Widening the cess base to include new entrants e.g. New KCC Ltd.

3.0 CASH AND BANK BALANCES

RECOMMENDATION

The Committee recommends that the Board should maintain proper books of Accounts in accordance with International Accounting Standards.

Status:- The Board confirms that its accounts are now prepared in accordance with International Financial Reporting Standards (IFRSs) and International Accounting Standards (IAS).

4.0 UNBANKED REVENUE KSHS.1,219,172

RECOMMENDATION

The Committee recommends that the Chief Executive should report the matter of misappropriation of revenue to the police and liaise with the Director of Criminal Investigations Department to ensure that the money is recovered from the dismissed members of staff.

Status:- The CEO reports that the amounts misappropriated were eventually recovered in full from the staff as follows:-

(a)	Leilakin Mahammed	-	Kshs.430,206.40
(b)	Stephen Kenteiya	-	<u>Kshs.312,560.40</u>
	Total	-	<u>Kshs.743,766.80</u>

5.0 STAFF PENSION FUND

RECOMMENDATION

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

Status:- The Board reports that Kenya National Assurance Co. has given a commitment in writing to settle Kshs.963,360.00 once its assets are liquidated.

6.0 LAND AND BUILDINGS

RECOMMENDATION

The Committee recommends that the Board, in conjunction with the parent Ministry should seek the permission of the Treasury to spend the Appropriation-in-Aid to complete the building so as to save the Board from spending on rent while the building is in existence.

Status:- The CEO, KDB reports that the Board did not find the earmarked property viable for office block construction due to encroachment upon the property. The Board therefore requested Treasury through the parent Ministry to sell the property 'as is where basis' and approval was granted as per letter Ref. Conf. 201/01 dated 14th February, 2006. The proceeds will be used to construct new offices at the Board's alternative site in Lower Kabete. The disposal process is underway.

7.0 DEBTORS AND PREPAYMENTS - KSHS.2,142,615

RECOMMENDATION

The Committee recommends that the management should expeditiously institute proper measures to recover the money and put in place mechanisms to ensure that imprest facility is not misused.

Status:- The CEO, KDB reports that monies which were advanced to the petrol stations were eventually recovered in subsequent years. Some of the debtors and prepayments were written off when they proved uncollectible. As regards the management of imprest, the Board is now properly accounting for it and surrenders made in good time.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA DAIRY BOARD FOR THE YEAR ENDED 30TH JUNE 1997

1.0 FINANCIAL POSITION

RECOMMENDATION

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

Status:- The Board and the Chief Executive have taken the following measures to improve revenue generation.

- (a) Reviewed cess upwards from 0.2 cts per litre to 20 cts per litre.
- (b) Control of cheap imports by imposing import levy on all dairy products entering the country.
- (c) Widening the cess base to include new entrants e.g. New KCC Ltd.

2.0 LAND AND BUILDINGS

RECOMMENDATION

The Committee recommends that the parent Ministry should seek the permission of the Treasury to spend the Appropriation in Aid to complete the building.

Status:- The CEO, KDB reports that the Board did not find the earmarked property viable for office block construction due to encroachment upon the property. The Board therefore requested Treasury through parent Ministry to sell the property 'as is where basis' and approval was granted as per letter Ref. Conf. 201/01 dated 14th February, 2006. The proceeds will be used to construct new offices at the Board's alternative site in Lower Kabete. The disposal process is underway.

3.0 DEBTORS AND PREPAYMENTS

RECOMMENDATION

The Committee recommends that the Board should employ all means possible to recover the amount of Kshs.651,688 owed by four ex-employees of the Board.

Status:- The Board reports that imprests advanced to ex-staff has been recovered in full.

The Committee further recommends that the Chief Executive should institute 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 Board has written to the former chairman of the Board Mr. Andrew Kiptoon asking him to pay up the money. In addition the Board has requested the ISC to assist with the recovery.

4.0 PROCUREMENT PROCEDURES

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Government procedures on procurement of goods and services are adhered to.

Status:- The CEO reports that the Board currently adheres to procurement rules and procedures governing public procuring entities.

5.0 DONATIONS

RECOMMENDATION

The Committee recommends that instead of harambee donations an appropriate item be created in the budget to support the dairy industry.

Status:- The Chief Executive states that a vote head to support the dairy industry through donations, where it is necessary, has been created.

6.0 COMMUTED LEAVE FOR CASH

RECOMMENDATION

The Committee recommends that commutation of leave is administered strictly on exigencies of duty and strictly in accordance with the Board's regulations.

Status:- The Board reports that commutation of leave for cash has since ceased and only administered strictly on exigencies of duty and in accordance with the Board's regulations. KDB further reports that this has been confirmed by Kenya National Audit Office.

7.0 STAFF PENSION FUND

RECOMMENDATION

The Committee recommends that the Board should ensure that the balance of Kshs.963,360.05 is recovered.

Status:- The Board reports that Kenya National Assurance Co. has since given a commitment in writing to settle Kshs.963,360.00 once its assets are liquidated.

8.0 PAYMENT OF ALLOWANCES TO BOARD MEMBERS

RECOMMENDATION

The Committee recommends that:-

- 8.1 The Inspector General (State Corporations) identifies the names of the Board members who were paid the irregular allowances totaling Kshs.164,988 and recover the same from them.**

Status:- The CEO, KDB reports that the Board forwarded to the Inspector General (Corporations) the names of members of the Board who were paid the irregular allowances totaling Kshs.164,988.00 for recovery of the same from them.

The anomaly has since been corrected and Board of Directors are currently paid in accordance with the State Corporations Act and as set out in circulars issued by from the Office of the Present.

ISC has instituted the necessary investigations.

- 8.2 The Inspector-General (State Corporations) should institute recovery of the Kshs.10,000 that was irregularly paid to the then Managing Director Mr. Bernard Saidimu Lenaronkoito as sitting allowance.**

Status:- The Board has recovered Kshs.10,000 from Mr. Bernard Saidimu's final dues which was paid irregularly as sitting allowance.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA DAIRY BOARD FOR THE YEAR ENDED 30TH JUNE 1998

1.0 WORK IN PROGRESS

RECOMMENDATION

The Committee recommends that the parent Ministry should seek the permission of the Treasury to spend the Appropriations-in-Aid to complete the building so as to save the Board from spending on rent while the building is in existence.

Status:-

The CEO, KDB reports that the Board did not find the earmarked property viable for office block construction due to encroachment upon the property. The Board therefore requested Treasury through the parent Ministry to sell the

property 'as is where basis' and approval was granted as per letter Ref. Conf. 201/01 dated 14th February, 2006. The proceeds will be used to construct new offices at the Board's alternative site at Lower Kabete. The disposal process is underway

2.0 DEBTORS AND PREPAYMENTS

RECOMMENDATION

The Committee recommends that the Board should employ all means possible to recover the amount of Kshs.651,688 owed by four ex-employees of the Board.

Status:- The Board reports that imprests advanced to ex-staff has been recovered in full.

The Committee further recommends that the Chief Executive should 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 Board has written to the former chairman of the Board Mr. Andrew Kiptoon asking him to pay up the money. In addition the Board has requested the ISC to assist with the recovery.

10. NATIONAL CEREALS AND PRODUCE BOARD

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF NATIONAL CEREALS AND PRODUCE BOARD FOR THE YEAR ENDED 30TH JUNE 1999

1.0 OPERATING RESULTS

RECOMMENDATION

The Committee recommends that the Government should approve the divesture of the Board's assets in order to transform it into a self sustaining commercial entity.

Status:- The Government has initiated a comprehensive restructuring programme for NCPB which will incorporate financial restructuring among the operational reforms. A team constituted for the purpose has made their recommendations which are under review. The reform measures proposed are aimed at making the Board an efficient institution capable of delivering its mandate.

2.0 OTHER DEBTORS

RECOMMENDATION

The Committee recommends that:-

2.1 The Chief Executive should use all means at his disposal including litigation to ensure that the amounts owed are recovered in full,

Status:- As at 30th June 2006 a total of Kshs.106,558,489.55 had been recovered and the outstanding debt was Kshs.705,883,726.15 as shown in the table below:-

	Category	Amount as per accounts Kshs.	Amount written off Kshs.	Internal Adjustments Kshs.	Recoveries Kshs	Balance as at 30 th June 2006 Kshs.
1.	Former Associated Company	160,078 00	0	0	0	160,077.50
2.	Debtors for Imported wheat	36,027,009.00	0	237,332.95	0	35,633,353.85
3.	Sundry Debtors	80,509,700 85	33,974,714.75	6,862,219.85	37,634,278.45	2,038,487.80
4.	Staff Debtors	136,776,596	82,658,915.55	(442,476.40)	17,871,662.80	36,688,494.05
5.	Trade Debtors					
5.1	Other Trade	245,481,914	62,374,167.55	86,131,507.80	7,601,441.30	89,374,797.50

	Debtors					
5 2	Gunny Bag Debtors	133,877,201	0	0	6,631,758 00	127,245,443 15
5 3	Swap Debtors	420,113,494	22,948,362 95	0	36,819,349 00	360,345,782 05
5 4	Export Debtors	57,921,865	4,258,502 00	0	0	53,663,363 25
5 5	Former Wheat Board Debtors	23,714,858	23,714,858 00	0	0	0
5	Sub total	881,109,332	113,295,891	86,131,508	51,052,548	630,629,385 95
	Amount under Reconciliation	2,683,011	0	2,105,409 20	0	577,604 80
	Total other Debtor	883,792,343	113,295,890 50	88,236,914 00	51,052,548 30	631,206,990 75
	Total	1,137,365,726	229,929,521.80	94,893,990.40	106,558,489.55	705,883,726.15

Of the amount still outstanding, Kshs.30,596,915.00 is the subject of a court case.

2.2 The Director of Criminal Investigations Department should investigate the losses in respect of gunny bags with a view to recovering the money lost.

Status:- The CEO reports that the Board is currently pursuing the matter through legal process vide case reference Nairobi HCC No. 2947 of 1989 NCPB Vs Kensack Ltd and the receiver manager with a view to recover the money lost through the above transaction. In addition, the Commissioner of Police has been requested to take appropriate action. By time we went to print we were still awaiting a response from the Commissioner of Police on this matter.

2 3 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 Commissioner of Police has been requested by Treasury to carry out investigations with a view to arrest the culprits and recovering the losses from Messrs Alfred Kiptanui Keter and M/s Corigrain. The Commissioner of Police will report separately on the progress made to PIC.

3.0 CONSULTANCY FEES

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Board equips itself with up-to date information on debtors and creditors including having a computerized data storage system on the same.

Status:- The CEO, NCPB reports that the Board has made the necessary reconciliations for its debtors and creditors. In addition, the Board is in the process of upgrading its information system to improvement its accounting financial management. To this end, the Board has hired ICT consultants and procured appropriate hardware.

11. INVESTMENT PROMOTION CENTRE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF INVESTMENT PROMOTION CENTRE FOR THE YEAR ENDED 1997/1998

1.0 BOARD MEETING

RECOMMENDATION

The Committee recommends that the Board should meet as required by the law and that any decision made without the Board's approval is null and void and any officer implementing such decisions should be dismissed from the service of the centre.

Status:- The CEO, IPC confirms that the Board of Directors has been meeting quarterly as is required by the State Corporations Act alongside smaller committees to transact the Board's business. The post of Executive Chairman has since been abolished and now the Corporation is headed by a non-executive Chairman and Managing Director.

2.0 IRREGULAR DISPOSAL OF MOTOR VEHICLE

RECOMMENDATION

The Committee recommends that the then Executive Chairman of the Board should be surcharged the amount of Kshs.34,740 being the difference between the disposal price and the repair costs of the vehicle.

Status:- The CEO, IPC reports that the Inspector-General (Corporations) is currently carrying out an exercise intended to culminate in issuing surcharge sheets to the employees who were the beneficiaries of the disposed motor vehicle and the irregular appointment.

3.0 MISUSE OF SALARY ADVANCE FACILITY

RECOMMENDATION

The Committee recommends that the Managing Director of the Centre should adhere to Rules and Regulations pertaining to Salary Advance to staff and that the irregular salary advanced to Mr. Joseph N. K. Ng'ok of Kshs.250,000 be recovered without further delay.

Status:- The CEO, IPC reports that currently the Centre adheres to rules and regulations pertaining to salary advance to staff. The salary advance to Dr. Joseph N. K. Ngok of Kshs.250,000 has been the subject of a court case. In order to enforce the recovery of the advance owed by him, the Centre has retained a lawyer to pursue the matter.

4.0 APPOINTMENT OF NEW EMPLOYEES

RECOMMENDATION

The Committee recommends that:-

4.1 The Managing Director of Coffee Board of Kenya should recover the irregular payment of Kshs.481,012.20 from Mr. David Sonoiya, which was paid to him while out of the service by the Board.

Status:- The Inspector General (Corporations) has indicated that a surcharge investigation relating to the drawing of double salary from both IPC and Coffee Board of Kenya by Mr. D. Sonoiya is complete. Mr. Sonoiya has written a statement admitting the irregularity and his willingness to refund the overpaid amount of Kshs.481,012.20. The case is due for consideration at the next sitting of the Inspectorate of State Corporations Surcharge Committee.

4.2 The Managing Director of Coffee Board of Kenya should institute investigation to determine who was responsible for the irregular payment with a view to taking disciplinary action, including surcharge.

Status:- The MD, CBK reports that investigations are under way to determine the officer responsible for the irregularity and thereafter take appropriate disciplinary action.

4.3 The Director of Criminal Investigations Department should immediately institute investigations into the circumstances under which Mr. D. Sonoiya claimed double salaries with a view to preferring criminal charges against any person(s) culpable.

Status:- Treasury has requested the Commissioner of Police to take appropriate action in regard to this recommendation. At the time of going to print, we were still awaiting a response from the Commissioner of Police on this matter.

4.4 The two recommendations in (i) and (ii) above be acted upon and concluded by 31st December, 2006 and committee notified accordingly.

Status:- Treasury has requested the Commissioner of Police to take appropriate action in regard to this recommendation. At the time of going to print, we were still awaiting a response from the Commissioner of Police on this matter.

5.0 DEBTORS

RECOMMENDATION

The Committee recommends that the money owed by Hon. Soita Shitanda and Dr. Joseph Ng'ok should be recovered with immediate effect.

Status:- The Inspector-General (Corporations) is currently carrying out an exercise intended to culminate in issuing surcharge sheets to the employees who were the beneficiaries of the disposed motor vehicle and the irregular appointment. The Authority is waiting for completion of this exercise in order to implement the recommendations of the Public Investments Committee.

In addition, the CEO reports that Hon. Soita Shitanda has started paying the debt he owes the Centre. However the recovery of the money owed by Dr. Joseph Ngok is the subject of litigation currently pending before the Court of Law.

12. ELECTRICITY REGULATORY BOARD

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF ELECTRICITY REGULATORY BOARD FOR THE YEAR ENDED 1999/2000

1.0 IRREGULAR PAYMENT OF SALARY AND ALLOWANCES TO THE BOARD CHAIRMAN

RECOMMENDATION

The Committee recommends that the Chief Executive of the Board should ensure that the Board meets its tax obligations.

Status:- The Chief Executive Officer, ERB has submitted that the Board currently deducts tax from the Chairman's benefits and allowances and meets all its tax obligations in accordance with the Income Tax laws and the guidelines issued by Kenya Revenue Authority.

The Committee further recommends that the Board should recover the differential amounts from the officers concerned and that the Chief Executive should seek advice of the State Corporation Advisory Committee (SCAC) on how to proceed in respect of the salary and other allowances paid to the Board's non-executive Chairman without recourse to SCAC in contravention of section 10 of State Corporations Act, Cap 446.

Status:- The CEO, ERB states that the Board referred the implementation of this recommendation to the Inspector General, State Corporations for action of the State Corporations Advisory Committee (SCAC) as recommended by PIC. All the persons concerned were non-executive Board members, and left the service of the Board on May 6, 2001. According to ERB, the Board is not in a position to make any recovery from the non-executive Board members by administrative action. The ISC has started the surcharge.

2.0 OTHER BOARD MEMBERS

RECOMMENDATION

The Committee recommends that:-

2.1 The Board should honour its tax obligations according to the law and that no tax equalization payment is ever made on behalf of the Board members or employees.

Status:- The CEO reports that, ERB is compliant with its tax matters as stipulated by law and tax equalization payment does not occur anymore.

2.2 The Board should recover the tax due from the officers concerned.

Status: The ISC has started the surcharge process (Ref OP.14/22 of ISC/IV/125 dated 4/1/07).

2.3 The Board should ensure that before paying traveling and accommodation allowances to its members, mechanisms are put in place to confirm that the members traveled and were accommodated as claimed.

Status:- The ISC has started the surcharge process (Ref. OP.14/22 of ISC/IV/125 dated 4/1/07).

3.0 PROCURMENT OF GOODS AND SERVICES

RECOMMENDATION

The Committee recommends that:-

3.1 The Chief Executive should employ all means possible and ensure that the then Chairman of the Board Hon. Moses Wetangula pays the amount of Kshs.115,621 being the amount which the Corporation would have saved had it directly procured for the media services.

Status:- The CEO reports that implementation of this recommendation has also been referred to SCAC as Hon. Wetangula was a non-executive Chairman of the Board. ISC has started working on these recommendations through the ISC Surcharge Committee.

3.2 The Chief Executive should employ all means possible and ensure that the then member of the Board, Mr. Dalmas A. Otieno pays the differential amount, which amount was the commission that the company associated with him received from the Board with respect to the Insurance Brokerage.

Status:- The CEO reports that the implementation of this recommendation has also been referred to SCAC as Hon. Dalmas Otieno was a non-executive member of the Board,

following which the ISC Surcharge Committee has started working on it.

3.3 The Chief Executive should ensure that government procurement regulations are followed when procuring for goods and services and any officer or member of the Board who contravenes government procurement procedures should be held responsible, dismissed from service and surcharged of all costs and incidentals thereof.

Status:- The Chief Executive Officer reports that the Board has fully implemented this recommendation and the Board now procures all her goods and services in accordance with the Public Procurement and Disposal Act 2005 and its amendments.

4.0 BUDGETARY CONTROL

RECOMMENDATION

The Committee recommends that in future, the Board should prepare its budget and submit the same to the parent Ministry and the Treasury for approval pursuant to Section 11 of the State Corporations Act, failure to which the Chief Executive will be held responsible and dismissed from the service.

Status:- The CEO reports that the Board has fully implemented this recommendation for the succeeding years and operates on annual budgets approved by Treasury through the parent Ministry.

13. KENYA LITERATURE BUREAU

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA LITERATURE BUREAU FOR THE YEAR ENDED 30TH JUNE, 1996 AND 30TH JUNE, 1997

1.0 STAFF PENSION SCHEME

RECOMMENDATION

The Committee recommends that the Chief Executive pursues the payment of the balance of Kshs.9,664,529.75 with M/s Kenya National Assurance Company (2001) Ltd and ensures that the same is settled by December 2005 and credited to the Pension Scheme.

Status:- The Chief Executive confirms that Kshs.2,899,359.00 out of the outstanding balance of Kshs.9,664,529.70 was credited directly to the Bureau's Pension Fund account on 18th May, 2006. The outstanding balance inclusive of interest amounting to Kshs.6,765,170.00 is currently being pursued. According to KLB, KNAC has agreed to liquidate the outstanding balance in two (2) equal installments but did not specify the time of doing so.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA LITERATURE BUREAU FOR THE YEAR ENDED 30TH JUNE, 1998

1.0 STAFF PENSION FUND

RECOMMENDATION

The Committee recommends that the Chief Executive pursues the payment of the balance of Kshs.9,664,529.75 with M/s Kenya National Assurance Company (2001) Ltd and ensures that the same is settled by December 2005 and credited to the Pension Scheme.

Status:- The Chief Executive confirms that Kshs.2,899,359.00 out of the outstanding balance of Kshs.9,664,529.70 was credited directly to the Bureau's pension fund account on 18th May, 2006. The outstanding balance inclusive of interest Kshs.6,765,170.00 is currently being pursued. According to KLB, KNAC has agreed to liquidate the outstanding balance in two (2) equal installments but did not specify the time of doing so.

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF KENYA LITERATURE BUREAU FOR THE YEAR ENDED
30TH JUNE, 1996 AND 30TH JUNE, 1999**

1.0 DEBTORS

RECOMMENDATION

The committee recommends that:-

- 1.1 The Chief Executive should ensure that the interests of the Bureau are safeguarded when offering car loans to its staff.**

Status:- The CEO has confirmed that the management will ensure that any vehicle purchased on account of car loan guarantees provided by the Bureau is registered jointly in the names of the staff and the Corporation to safeguard the Bureau's interests. In addition, a comprehensive insurance cover is taken for the vehicle.

- 1.2 The Chief Executive pursues the payment of the balance of Kshs.9,664,529.75 with M/s Kenya National Assurance Company (2001) Ltd and ensures that the same is settled by December 2005 or earlier and credited to the Pension Scheme.**

Status:- The CEO states that the Bureau has recovered Kshs.2,899,359 which was credited directly to its Pension Fund account and the balance of Kshs.6,765,170.70 is being pursued.

2.0 PROCUREMENT PROCEDURES

RECOMMENDATION

The Committee recommends that the Bureau must comply with the government procurement regulations without exception and that, in future, any officer of the Bureau who disregards the regulations should be dismissed from the service and surcharge action taken.

Status:- The Chief Executive confirms that the Bureau has established stringent internal controls to ensure that the procurement of services and materials is in accordance with the Public Procurement Regulations and the Procurement and Disposal Act. The Chief Executive has also confirmed that any officer of the Bureau who, in future disregards the government regulations will be dismissed and surcharge action taken.

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF KENYA LITERATURE BUREAU FOR THE YEAR ENDED
30TH JUNE, 1996 AND 30TH JUNE, 2000**

1.0 DEBTORS AND PREPAYMENTS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the interests of the Bureau are safeguarded when offering car loans to its staff.

Status:- The CEO KLB reports that all motor vehicles purchased for staff through the staff car guarantee scheme, are jointly registered in favour of the Bureau and the beneficiaries. In addition such vehicles are comprehensively insured.

With regard to debt arising from the guarantee provided to the late Mrs Anne Mithamo by the KLB, it is further reported that the amount outstanding was written off after it was deemed to be irrecoverable in the 2005/2006 accounts.

2.0 SHORT TERM DEPOSITS

RECOMMENDATION

The Committee recommends that the Bureau should always invest its surplus funds in Treasury Bonds/Bills where it would earn more interest and in accordance with government circulars.

Status:- The Chief Executive confirms that the Bureau has been investing its surplus funds in Treasury Bills and Bonds. As for those investments outside those specified by the Treasury circulars, the Bureau seeks authority from the government as is required before the undertaking.

14. NATIONAL HOUSING CORPORATION

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF NATIONAL HOUSING CORPORATION FOR THE YEAR ENDED 30TH JUNE, 2000

1.0 OUTSTANDING LOAN ARREARS

RECOMMENDATION

The Committee recommends that the Chief Executive should, in liaison with the Parent Ministry, ensure that approval is obtained from the Ministry of Local Government to sell off houses in respect of owing local authorities to redeem the debts due.

Status:- The Chief Executive Officer reports that NHC wrote to the Permanent Secretary, Ministry of Lands and Housing requesting a meeting to be convened with the Ministry of Local Government in order to resolve the Local Authorities debt issue.

The meeting was convened and held on 12th October 2005. Subsequent to this meeting, approval was given by the Ministry of Local Government through power of Attorney to sell Madaraka Estate and recover debts owed by Nairobi City Council.

As of September 2006, Madaraka houses had been advertised for sale, applications and 10% deposits received and all houses allocated. However, the tenants who did not cooperate in the sale process and who did not apply to buy the houses they occupied have gone to court, to challenge the sale of the houses to the public. The matter has not been determined.

Arising from the Madaraka Estate experience, the Corporation is cautious on how to deal with the other local authorities.

2.0 GOVERNMENT OF KENYA LOANS

RECOMMENDATION

The Committee recommends that the Chief Executive should obtain the necessary approval for disposal of some housing estates in order to offset debts from the local authorities

Status:- The Chief Executive Officer reports that approval was obtained from the Ministry of Local Government for the disposal of

some housing estates in order to offset debts from the local authorities, but tenants of Madaraka Estate have resisted the move by going to court. The matter is pending in court.

3.0 IRREGULAR AWARD OF CONTRACTS

RECOMMENDATION

The Committee recommends that the Chief Executive should always ensure that the Corporation runs its financial obligations within the approved budget and adheres to procurement procedures.

Status:- The Chief Executive confirms that NHC is implementing the recommendation of the Committee by adhering to the procurement procedures as laid down in the Public Procurement and Disposal Act 2005 and its amendments.

4.0 REPAIR OF LORRY - KTP 268

RECOMMENDATION

The Committee recommends that the then Chief Executive Mr. Lawi Kiplagat be surcharged for disregarding procurement regulations thus occasioning the Corporation a loss of Kshs.244,476.00.

Status:- The IG (C) is in the process of implementing the recommendation to surcharge Mr. Lawi Kiplagat for disregarding procurement regulations and acting imprudently thus occasioning the Corporation a loss of Kshs.244,476.00. Following Mr. Kiplagat's bankruptcy status, legal counsel has been sought by IG (C).

5.0 PAYMENT OF ADVERTISEMENT

RECOMMENDATION

The Committee recommends that:-

5.1 The then Chief Executive be surcharged the amounts involved in the advertisements (State Corporation) for acting imprudently in the transaction, which was not approved by the Board.

Status:- The Chief Executive Officer confirms that NHC has written to the Inspector General (Corporations) to surcharge the then Chief Executive Mr. Lawi Kiplagat for Kshs.4,275,149.40 for

acting imprudently in advertising in the foreign media without Board approval vide letter NHC/CONF/LKK/KIP/1257/Vol.II(115) JWR of 20th September, 2006. The ISC Surcharge Committee is currently looking into the matter with the assistance of a lawyer.

5.2 The Corporation stops engaging in such activities, as public relations exercise is not one of its core functions.

Status: The Chief Executive Officer reports that NHC has noted the recommendations of the Committee and has stopped engaging in activities such as advertisement purely for public relations which is not part of its core functions.

6.0 IRREGULAR EXPENDITURE

RECOMMENDATION

The Committee recommends that:-

6.1 The Corporation should always adhere to government procurement procedures in procurement of goods and services.

Status:- The Chief Executive confirms that the Corporation now adheres to procurement of goods and services as laid down in the Public Procurement and Disposal Act 2005 and its amendments.

6.2 The Corporation should stop expending on activities where its' own staff can carry out satisfactorily.

Status:- The Chief Executive confirms that the Corporation no longer uses External Consultations on activities where its own staff can carry out such activities satisfactorily.

6.3 The then Chief Executive Mr. Lawi Kiplagat be surcharged for committing the Corporation to the irregular expenditure and be barred from holding public office conferred by the Republic of Kenya

Status:- The IG (C) has programmed to have the matter investigated further and thereafter commence surcharge proceedings against those responsible for the irregular expenditure. However, the main offender, Mr. Lawi Kiplagat, the then Chief Executive, has been declared bankrupt thus casting doubt on

the success of the intended surcharge For this reason, the Corporation has retained a firm of lawyers i.e. M/s Migosi Ogamba Co. Advocates to pursue the lifting of bankruptcy orders imposed on Mr. Lawi Kiplagat.

7.0 IRREGULAR PAYMENT FOR TITLE DEEDS

RECOMMENDATION

The Committee recommends that:-

7.1 The then Chief Executive, Mr. Lawi Kiplagat should be surcharged for the losses amounting to Kshs.1,710,559 irregularly incurred in hiring of M/s Housing and Valuation Consultants to carry out survey works, an exercise that could have been carried out by the Corporation's own staff.

Status:- The IG (C) has programmed to have the matter investigated further and thereafter commence surcharge proceedings against those responsible for the irregular expenditure. However, the main offender Mr. Lawi Kiplagat, the then Chief Executive has been declared bankrupt to facilitate the surcharge proceedings.

The Corporation has retained a firm of lawyers i.e. M/s Migosi Ogamba Co. Advocates to pursue the lifting of bankruptcy orders imposed on Mr. Lawi Kiplagat to facilitate the surcharge proceedings.

7.2 The consultants M/s Housing and Valuation consultants should be pursued with a view to repaying the illegal amounts paid to them.

Status:- The Chief Executive Officer confirms that the Corporation has written to M/s Housing and Valuation consultants demanding repayment of Kshs.1,710,599/- allegedly paid for Cadastral and Topographical survey work vide letter NHC.4.1.16(72)JWR of 20th September, 2006. The letter was reportedly returned to sender. Investigations by the Corporation indicate that M/s Housing Valuation Consultants are not listed by the Institute of Surveys of Kenya. It is further reported that one of the partners of the firm is dead but the Corporation is tracking the other one.

7.3 The Chief Executive should ensure that the Corporation does not expend on activities and/or exercises that can be carried out by its own staff.

Status:- The Chief Executive confirms that the Corporation has stopped engaging consultants on activities/exercises that can be carried out by its own staff.

8.0 LOSS OF CASH

RECOMMENDATION

The Committee recommends that the Chief Executive should use all possible means including litigation to recover the amount of Kshs.451,121 and interest from Kenya National Assurance company (2001) Ltd without further delay.

Status:- The Chief Executive Officer submits that the Corporation wrote to Kenya National Assurance Company (2001 Ltd) and demanded payment of Kshs.451,121.00. KNAC (2001) however, replied and advised that it was incorporated to take over only the assets and actuarial liability (ordinary life and superannuation business) of the former Kenya National Assurance Company (in Liquidation). The General Insurance Division of the former company is still in liquidation.

The Official Receiver (Registrar General) however advised that the General Business of Kenya National Assurance Company is hopelessly insolvent and NHC would be notified in writing should the situation improve.

9.0 SHORT TERM DEPOSITS

RECOMMENDATION

The Committee Recommends that:-

- 9.1 The Chief Executive should pursue the recovery of the outstanding amount from the Deposit Protection Fund of the Central Bank of Kenya.**

Status:- The Chief Executive Officer submits that the Corporation has written to the Deposit Protection Fund of the Central Bank of Kenya claiming payment of Kshs.66,421,978.45 being the difference between the amount deposited with the collapsed Prudential Bank and what has so far been received from the Fund. DFP has advised that no recoveries have been made since 2002 to declare a dividend. For this reason the Fund further advised that NHC make a provision for the amount owing.

9.2 **The Corporation and the Inspectorate of State Corporations should pursue and counter the bankruptcy order obtained by the former chief Executive, Mr. Lawi Kiplagat, with a view to recovering the losses occasioned by him through irregular transactions at the corporation.**

Status:- The Chief Executive Officer submits that the Corporation has appointed a Lawyer, M/s Migos Ogamba and company, Advocates to counter the bankruptcy order obtained by the former Chief Executive Mr. Lawi Kiplagat, with a view of recovering the losses occasioned by him through irregular transactions at the corporation

The Corporation through its lawyer is still pursuing the lifting of the bankruptcy orders obtained by the former Managing Director, Mr. Lawi Kiplagat. The lawyer has also made a report on the issues to the Inspector of State Corporations for information and record purposes.

15. NATIONAL IRRIGATION BOARD

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF NATIONAL IRRIGATION BOARD FOR THE YEAR ENDED 30TH JUNE, 1996

1.0 DEBTORS – NATIONAL CEREALS AND PRODUCE BOARD

RECOMMENDATION

The Committee recommends that the two Corporations in consultation with their respective Ministries should reconcile their records and have their debtors figure confirmed by Controller and Auditor General.

Status:- The Chief Executive Officer confirms that NIB and NCPB submitted their reconciliations to the Inspectorate who was to forward them to the Controller and Auditor General for review.

2.0 IRRIGATION SCHEMES

RECOMMENDATION

The Committee recommends that the government should, as a matter of urgency, restructure the Corporation with a view to employing a turnaround strategy and incorporating the proposals submitted to it in order to return it to financial sustainability and profit-making.

Status:- The CEO, NCPB reports that between 2000 and 2002, the Board underwent remarkable restructuring with the assistance of DPM and KIPPRA. The restructuring comprised staff rationalization which led to a team staff for the Board. In addition the Board redefined its mandate through revision of its vision and mission. Consequently the Board's new core functions were identified as:-

- (1) Coordination of construction and rehabilitation of major irrigation and drainage infrastructure.
- (2) Operation and maintenance of major irrigation and drainage infrastructure.
- (3) Administering land in the public schemes and providing technical advise on maintaining a cropping calendar in consultation with the scheme and
- (4) Irrigation expansion.

According to NIB, the major objective of the restructuring exercise was to develop each irrigation scheme to the extent that they would be self-sustaining. These reforms saw NIB transferred from the Ministry of Agriculture to the Ministry of

Water Irrigation. With effect from July 2003 the Board embarked on the revival of the scheme that had hitherto collapsed. These include:- Mwea, West Kano, Bunyala and Ahero Scheme. Others which are at various stages of rehabilitation are Bura and Hola.

3.0 PROJECT VEHICLES

RECOMMENDATION

The Committee recommends that the Board should pursue the matter of having the Duty payable on the vehicles waived by the Minister for Finance and have the vehicles transferred to the Board and their values included in the Board's books of accounts.

Status:- The Chief Executive Officer, NIB reports that the vehicles should have been converted to the blue number plates if the duty waiver had been granted. However, there was delay in granting the waiver and the vehicles are very old now (over 10 years old) and expensive to run and maintain. The Board has therefore given approval for their disposal vide Board minute No. 6/08/06 of 29/08/2006.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF NATIONAL IRRIGATION BOARD FOR THE YEAR ENDED 30TH JUNE, 1997

1.0 FINANCIAL POSITION

RECOMMENDATION

The Committee recommends that the Government should, as a matter of urgency, restructure the Corporation with a view to employing a turnaround strategy and incorporating the proposals submitted to it in order to return it to financial sustainability and profit-making.

Status:- The CEO, NCPB reports that between 2000 and 2002, the Board underwent remarkable restructuring with the assistance of DPM and KIPPRA. The restructuring comprised staff rationalization which led to a team staff for the Board. In addition the Board redefined its mandate through revision of its vision and mission. Consequently the Board's new core functions were identified as:-

- (1) Coordination of construction and rehabilitation of major irrigation and drainage infrastructure.

- (2) Operation and maintenance of major irrigation and drainage infrastructure.
- (3) Administering land in the public schemes and providing technical advise on maintaining a cropping calendar in consultation with the scheme and
- (4) Irrigation expansion.

According to NIB, the major objective of the restructuring exercise was to develop each irrigation scheme to the extent that they would be self-sustaining. These reforms saw NIB transferred from the Ministry of Agriculture to the Ministry of Water Irrigation. With effect from July 2003 the Board embarked on the revival of the scheme that had hitherto collapsed. These include:- Mwea, West Kano, Bunyala and Ahero Scheme. Others which are at various stages of rehabilitation are Bura and Hola.

2.0 CREDITORS

RECOMMENDATION

The Committee recommends that the Board should refund Bura Irrigation Scheme the unspent amount of Kshs.22,315,034.

Status:- The CEO submits that the NIB did not have the capacity to refund Bura Irrigation Scheme the unspent grant amount of Kshs.22,315,034.00. The Board had used the funds to finance operations in other schemes. The amount in question was consequently written off in the accounts for the year ended 30th June, 2007.

3.0 DEBTORS

RECOMMENDATION

The Committee recommends that the Board should concentrate on its core functions and cease directing its funds and committing itself in transactions where its interests are not safeguarded.

Status:- The Chief Executive confirms that the Board is no longer executing non-core functions in its stations. He further confirms that the non core functions have been transferred to farmers and other stake holders.

16. NYAYO TEA ZONES DEVELOPMENT CORPORATION

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF NYAYO TEA ZONES DEVELOPMENT CORPORATION FOR THE YEAR 1995/1996

1.0 FINANCIAL POSITION

RECOMMENDATION

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

Status:- The Chief Executive Officer, NTZDC sought and obtained post facto approval from the Permanent Secretary, Ministry of Finance on overspent items in 1995/96 financial year vide letter ref. DGIPE/FB/127(10) dated 6th December, 2004.

2.0 APPROPRIATION OF LOAN PROCEEDS KSHS.223,356,690

RECOMMENDATION

The Committee recommends that the Chief Executive should follow up the cases in respect of lost fertilizers with the police and ensure that the culprits are arrested and arraigned in court.

Status:- The Chief Executive officer has confirmed investigations are on-going and are expected to be finalized soon.

3.0 SUPPLY OF DIAL WEIGHING SCALES

RECOMMENDATION

The Committee recommends that the Chief Executive should carry out a thorough investigation as to why M/s. Iniva Agencies was awarded tender to supply 102 dial weighing scales at Kshs.26,692.65 instead of M/s Salvra scales at Kshs.16,250 per unit and disciplinary action meted against the officers who breached procurement procedures.

Status:- The Chief Executive Officer confirms that disciplinary action has already been taken against the officers concerned.

4.0 SALE OF LAND AND TEA BUSHES

RECOMMENDATION

The Committee recommends that the Corporation should demand an amount of Kshs.27,962,000 being the value of land from M/s Kericho Multipurpose Corporative Society, failure to which the land should revert to the Corporation by December 31st, 2006.

Status:- According to NTZDC, the Director, KACC has been requested to assist NTZDC to recover the amount of money in question. KACC is liaising with the Corporation with a view to implement this recommendation.

5.0 WORK IN PROGRESS

RECOMMENDATION

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 Chief Executive Officer reports that the Corporation appointed an investigator to trace the assets of M/s Muturi Construction Co. Ltd that could be attached to recover the debt owed. The investigation is at advanced stage and the Corporation hopes to conclude the matter soon.

6.0 ESTABLISHMENT COST - KSHS.247,497,100

RECOMMENDATION

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 Chief Executive Officer submits that the Corporation is pursuing the acquisition of the title with the relevant Government Ministries. The Ministry of Agriculture has sought degazettment of the land to facilitate acquisition of the title deed for the land.

7.0 UNSUPPORTED EXPENDITURE

RECOMMENDATION

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 Chief Executive Officer submits that the Corporation has taken steps to recover the amount from the concerned former District Commissioners. Their names were forwarded to the Director of Criminal Investigation Department for investigation with a view to prosecuting them for misappropriation of public funds and recover the outstanding amounts. By the time we went to print the Commissioner of Police had not provided a response on this matter.

17. NATIONAL HOSPITAL INSURANCE FUND

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF NATIONAL HOSPITAL INSURANCE FUND FOR THE YEAR ENDED 30TH JUNE 1999

1.0 LONG TERM INVESTMENTS

RECOMMENDATIONS

The Committee recommends that the Chief Executive should ensure that the balance of Kshs.196 million continues earning interest at the 7.5% as offered by the bank until the transfer of the building is concluded.

The Committee further recommends that the Chief Executive should ensure that any future investments of the Fund are made in accordance with Treasury Circulars and are based on prudent commercial practices.

Status:- The Chief Executive confirms that the balance of Kshs.196 million continues to earn interest at the rate of 7.5% p.a. as offered by Consolidated Bank until the transfer of Comcraft House is concluded. The Fund's investments are currently made as per the laid down procedures provided for in Treasury Circulars, NHIF Act and other relevant laws and regulations.

2.0 SUNDARY DEBTORS AND PREPAYMENTS

RECOMMENDATION

The Committee recommends that the fund should always prepare its accounts in accordance with International Accounting Standards.

Status:- The Chief Executive confirms that the Fund's financial statements are now prepared in accordance with International Financial Reporting standards (FRS), that comprise standards and interpretations as approved by International Accounting Standards Board (IASB).

Currently, the Fund's balance sheet, cash flow and revenue statement are prepared in accordance with IAS number 1, 7 and 18 respectively.

3.0 CONSTRUCTION OF MEDICARE PLAZA

RECOMMENDATION

The committee recommends that:-

3.1 The Ministry of Roads and Public Works should carry out a technical audit on the whole project and evaluate the variations undertaken with a view to determining the reasons for the huge escalation of the project cost.

Status:- The Permanent Secretary, Ministry of Roads and Public Works confirms that the Ministry through the Chief Architect is currently evaluating all the variations of the final account. The actual variation in the contract amount will be determined after the finalization of the Projects final accounts which will be submitted immediately the Chief Architect is through.

3.2 The Director of Criminal Investigations Department should institute immediate investigations into the conduct and the manner in which the lead consultant in the Medicare project, M/s Womi Associates conducted his duties with respect to the project with view to preferred criminal charges against Mr. Wanyonyi Muchanga and M/s Womi Associates if found culpable.

Status:- The Commissioner of Police has been requested to take appropriate action with regard to this recommendation. A response from the Commissioner of Police was still awaited at the time of going to print.

3.3 M/s Womi Associates and its Directors be prohibited from participating in and/or being awarded contracts by the government and its agencies.

Status:- The Attorney General has been requested by Treasury to advise and cause this recommendation to be implementation. By the time of going to print, we were still awaiting a response from the AG on this matter.

3.4 The Fund should, with immediate effect, refrain from contract price variation and where necessary, must obtain prior approval from the parent Ministry and the Treasury.

Status:- The CEO confirms that the Fund strictly adhere to procedures stipulated in the Public Procurement and Disposal Act (2005) and seeks prior approval as necessary from both the Parent Ministry and the Treasury.

4.0 FIXED DEPOSITS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that all future investments of the Fund are made in accordance with Treasury Circulars.

Status:- The Chief Executive Officer confirms that the Fund's investments are done as per the laid down procedures in Treasury circulars, NHIF Act and other relevant laws and regulations.

The Committee further recommends that the Chief Executive should follow up the recovery of the outstanding deposits with the respective liquidators and receivers.

Status:- The CEO has followed up for recoveries and progress of recoveries made are as follows:-

	Institution	Principal	Amount Recovered	Balance
1.	Inter Africa Credit Finance	5,000,000.00	2,166,728.85	2,833,271.15
2.	Nairobi Finance Corp. Ltd	26,000,000.00	6,540,143.85	19,459,856.15
3.	Middle African Finance Ltd	12,500,000.00	400,000.00	12,100,000.00
4.	Trade Bank Ltd.	65,000,000.00	3,100,000.00	61,900,000.00
5.	Ari Credit and finance co. Ltd	37,000,000.00	2,553,102.50	34,146,892.00
6.	Thabiti Finance Co. Ltd	147,500,000.00	2,300,000.00	145,200,000.00
7.	Trade Finance	39,500,000.00	3,400,000.00	36,100,000.00
8.	Heritage Bank Ltd	275,000,000.00	600,000.00	274,400,000.00
9.	Kenya Finance Bank Ltd	35,000,000.00	2,426,224.20	32,573,775.80
10.	Euro Bank Ltd	508,939,606.35		508,939,606.35
11.	Pioneer Building Society	8,000,000.00	1,811,452.00	6,188,548.00
12.	Continental Credit Finance	15,000,000.00	Nil	15,000,000.00
13.	Rural Urban Credits Finance	9,800,000.00	Nil	9,800,000.00
14.	Home Loan building Society Ltd	1,000,000.00		1,000,000.00
15.	Country Build,	2,000,000.00	-	2,000,000.00

	Society Ltd			
16	Indo Africa Finance Ltd	61,500,000 00		61,500,000 00
17	United Trustees Finance Ltd	4,000,000 00		4,000,000.00
	Totals	1,223,799,754.70	25,297,651 40	1,267,707,154.30

The Fund is pursuing the matter with the Deposit Protection Fund.

5.0 IRREGULAR PROCUREMENT OF GOODS AND SERVICES

RECOMMENDATION

The Committee recommends that:-

5.1 The Chief Executive should ensure that rules and regulations governing procurement of goods and services are adhered to.

Status:- The Chief Executive Officer confirms that rules and regulations governing procurement of goods and services as provided for in the Public Procurement and Disposal Act, 2005 are adhered to strictly.

5.2 The Chief Executive should pursue the case of undelivered forms worth Kshs.8,423,000 with the Director of Criminal Investigations Department to its conclusive end.

Status:- The CEO reports that this matter was reported to the Director, CID on diverse dates of 2005 in addition Treasury has also requested the Commissioner of Police to pursue Dentel Enterprises for the undelivered goods and services to the Fund. The Commissioner of Police will report separately on the progress made on this matter to PIC.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF NATIONAL HOSPITAL INSURANCE FUND FOR THE YEAR ENDED 30TH JUNE 2000

1.0 ACCURACY OF THE ACCOUNTS

RECOMMENDATION

The Committee recommends that the Chief Executive should follow case HCC No. 193 of 1999 to its conclusive end.

Status:- The Chief Executive Officer confirms that the case was followed up to conclusion. The matter is now settled and the

Fund received Kshs 26,356,355 10 being principal plus accrued interest through a bankers cheque No. 8823298

The Committee further recommends that the Fund should maintain proper books of accounts and reconcile its financial statements as provided for by law.

Status:- The Chief Executive Officer reports that all financial statements have been reconciled and proper books of accounts are now kept by the Fund.

2.0 SHORT TERM INVESTMENTS

RECOMMENDATION

The committee recommends that the Chief Executive should pursue the recovery of the Kshs.164,229,729 from the liquidators of the collapsed financial institutions.

Status:- The Chief Executive confirms that the Fund is still pursuing the matter with Deposit Protection Fund. Recoveries amounting to Kshs 25,297,651 40 have so far been made.

3.0 MISSING PAYMENT VOUCHERS - KSHS.86,810,410.80

RECOMMENDATION

The Committee recommends that the Chief Executive should retrieve the missing payment vouchers from the Kenya Anti-corruption Commission and have the vouchers forwarded to the Controller and Auditor General for reconciliation by 30th September, 2006.

Status:- The Chief Executive Officer confirms that the Ministry payment vouchers were retrieved and forwarded to the Controller and Auditor General vide letter HF/C/806 Vol.III/5 dated 15th March, 2005 for verification.

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF NATIONAL HOSPITAL INSURANCE FUND FOR THE
YEAR ENDED 30TH JUNE 2001**

1.0 LONG TERM INVESTMENTS

RECOMMENDATION

The Committee recommends that Chief Executive should ensure that the balance of kshs.196 million continues earning interest at the 7.5% as offered by the bank until the transfer of the building is concluded.

The Committee further recommends that the Chief Executive should ensure that any future investments of the Fund are made in accordance with Treasury circulars and are based on prudent commercial practices.

Status:- The Chief Executive confirms that the balance of Kshs.196 million continues to earn interest at the rate of 7.5% as offered by Consolidated Bank until the transfer of Comcraft House is concluded. The fund's Investments are currently done as per the laid down procedures provided for in Treasury Circulars, NHIF Act and other relevant laws and regulations.

2.0 PURCHASE OF HOUSING UNITS LR.209/5846

RECOMMENDATION

The committee recommends that:-

2.1 The Chief Executive should ensure that future investments of the fund are conducted in accordance with sound business principles and in accordance with Treasury circulars and that any member of staff or the Board of the Fund who contravenes Treasury Circulars on investments should be dismissed from the service and surcharged any costs and incidentals there from.

Status:- The Chief Executive Officer confirms that the Fund undertakes investments guided by sound business principles, while strictly following Treasury circulars and the relevant laws.

2.2 The Chief Executive should exhaustively pursue the HCC No. 1937 of 1999 against M/s Shiv Construction Company and ensure that the interests of the fund are safeguarded.

Status:- The Chief Executive Officer confirms that the case was followed to conclusion and the matter was settled. The Fund received Kshs.26,356.10 being principle plus accrued interest.

3.0 RENOVATION OF STAND AT NAIROBI ASK SHOW

RECOMMENDATION

The Committee recommends that Government procurement procedures should be followed in procurement of goods and services at the fund.

Status:- The Chief Executive Confirms that in procurement of goods and services the Fund follows the provision of the Public Procurement and Disposal Act. (2005) and its amendments.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF NATIONAL HOSPITAL INSURANCE FUND FOR THE YEAR ENDED 30TH JUNE 2002

1.0 SHORT TERM INVESTMENTS

RECOMMENDATION

The Committee recommends that:-

1.1 Future investments of the Fund are made in accordance with Treasury Circulars and are based on prudent commercial practices.

Status:- The Chief Executive Officer confirms that investments for NHIF are made as per the laid down procedures provided for in Treasury Circulars, NHIF Act and other relevant laws and regulations.

1.2 The Chief Executive should pursue the case of the investments made to M/s Euro Bank (Ltd) to its conclusive end,

Status:- The Chief Executive Officer reports that the recovery of investments made to M/s Euro Bank (Ltd) is being pursued through litigation. The Fund's advocates namely, Ahmednasir, Abdi Kadir & Co. is following the court to fix a hearing date.

1.3 The Director of Criminal Investigations Department should institute investigations into the manner in which the then Fund's chairperson and managing Director Messrs Jennifer Riria and Ibrahim Hussein authorized the overnight lending to M/s Euro Bank with a view to preferring appropriate criminal charges against them.

Status:- The Commissioner of Police has been requested by Treasury to take appropriate action. A response from the Commissioner of Police was still awaited at the time of going to print.

2.0 CONSTRUCTION OF MEDICARE PLAZA

RECOMMENATION

The committee recommends that:-

2.1 The Ministry of Roads and Public Works should carry out a technical audit on the whole project and evaluate the variations undertaken with a view to determining the reasons for the huge escalation of the project cost.

Status:- The Permanent Secretary, Ministry of Roads and Public Works confirms that the Ministry through the Chief Architect is currently evaluating all the variations of the final account. The actual variation in the contract amount will be determined after the finalization of the Projects final accounts which will be submitted immediately the Chief Architect is through.

2.2 The Director of Criminal Investigations Department should institute immediate investigations into the conduct and the manner in which the lead consultant in the Medicare project, M/s Womi Associates conducted his duties with a view to preferring criminal charges against Mr. Wanyonyi Muchanga and M/s Womi Associates if found culpable.

Status:- The Commissioner of Police has been requested to take appropriate action with regard to this recommendation. The Commissioner has however not responded. By the time of going to print, we were still awaiting a response from the Commissioner of Police.

2.3 M/s Womi Associates and its directors be prohibited from participating in and/or being awarded contracts by the government and its agencies.

Status:- The AG has been requested by Treasury to advise and cause this recommendation to be implementation. A response from the AG was still awaited by the time of going to print.

2.4 The fund should with immediate effect, refrain from contract price variations and where necessary, must obtain prior approval from the parent Ministry and the Treasury.

Status:- The Chief Executive officer confirms that the Fund strictly adheres to procurement procedures stipulated in Public Procurement and Disposal Act (2005) and its amendments, and seeks prior approval as necessary from both the parent Ministry and the Treasury.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF NATIONAL HOSPITAL INSURANCE FUND FOR THE YEAR ENDED 30TH JUNE 2003

1.0 LOSS OF FUNDS

RECOMMENDATION

The Committee recommends that:-

1.1 future investments of the fund are made in accordance with Treasury Circulars and are based on prudent commercial practices.

Status:- The Chief Executive Officer confirms that currently NHIF investments are made as per the laid down procedures in Treasury's Circulars, NHIF Act and other relevant laws and regulations.

1.2 The Chief Executive should pursue the case of the investments made to M/s Euro Bank (Ltd) to its conclusive end.

Status:- The Chief Executive Officer reports that the recovery of investments made to M/s Euro Bank (Ltd) is being pursued through litigation. The Fund's advocates namely, Ahmednasir, Abdi Kadir & Co. is following the court to fix a hearing date.

2.0 CONVERSION OF INVESTMENT INTO REAL ESTATE

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that any future investments by the Fund are based on prudent commercial practices and are in accordance with treasury circulars.

The Committee further recommends that any officer of the fund or a member of its Board who commits the Fund to any losses arising from non-adherence to Treasury Circulars on investments should be dismissed from service and surcharged the losses arising from such action(s).

Status:- The CEO confirms that investments are made as per the laid down procedures in Treasury Circulars, NHIF Act and other relevant laws and regulations.

3.0 STOCK AMORTIZATION

RECOMMENDATION

The Committee recommends that the Fund should maintain its books of account in accordance with International Accounting Standards

Status:- The CEO confirms that the Fund maintains its books of accounting in accordance with International Accounting Standards.

4.0 PURCHASE OF MERU MUNICIPALITY PLOT

RECOMMENDATION

The Committee recommends that the Director of Criminal Investigations Departments should investigate the circumstances under which the plot and the building were identified and purchased by the Fund with a view to preferring appropriate criminal charges against any person(s) found culpable in the transaction.

Status:- The Commissioner of Police has been requested by Treasury to investigate the matter and take appropriate action. The Commissioner of Police had not responded by the time we went to print.

5.0 EXCESS PAYMENT OF SITTING ALLOWANCE

RECOMMENDATION

The Committee Recommends that:-

- 5.1 The Chief Executive should ensure that allowances payable to the Fund's Board members are in accordance with the circulars from the Office of the President while reviews are forwarded to the State Corporations Advisory committee before implementation, in accordance with the State Corporation Act (Cap.466).**

Status:- The Chief Executive Officer confirms that allowances payable to the Fund's Board members are in line with the OP Circular No. OP/CAB 19/21/2A/L 11/43 of 23rd November, 2004 while all salary reviews are forwarded to SCAC for approval.

- 5.2 The Inspector General (State Corporations) should expedite the case of the irregular allowances paid to Board members for recovery of the irregular payment of Kshs.1,335,000 from the Board members.**

Status:- The Inspector- General (Corporations) has initiated the recovery process of excess allowances. So far, the IG has issued 'Notice of intention to Surcharge' letters to 13 members of the Board adversely cited. Six (6) of the members have responded to the notice while the remaining seven (7) members have not done so.

6.0 CONSTRUCTION OF NHIF BUILDING

RECOMMENDATION

- 6.1 The Ministry of Roads and Public Works should carry out a technical audit on the whole project and evaluate the variations undertaken with a view to determining the reasons for the huge escalation of the project cost.**

Status:- The Permanent Secretary, Ministry of Roads and Public Works confirms that the Ministry through the Chief Architect is currently evaluating all the variations of the final account. The actual variation in the contract amount will be determined after the finalization of the Projects final accounts which will be submitted immediately the Chief Architect is through.

6.2 The Director of Criminal Investigations Department should institute immediate investigations into the conduct and the manner in which the lead consultant in the Medicare Project, M/s Womi Associates conducted his duties with a view to preferring criminal charges against Mr. Wanyonyi Muchanga and M/s Womi Associates if found culpable.

Status:- The Commissioner of Police has been requested to take appropriate action with regard to this recommendation. A response from the Commissioner of Police had not been received by the time we went to print.

6.3 M/s Womi Associated and its Directors be prohibited from participating in and/or being awarded contracts by the Government and its agencies.

Status:- The Attorney General has been requested by Treasury to advise and cause this recommendation to be implementation. A response from the AG was still awaited by the time we went to print.

6.4 The Fund should, with immediate effect, refrain from contract price variations and where necessary, must obtain prior approval from the parent Ministry and the Treasury.

Status:- The CEO reports that the Fund has refrained from price variations and will always seek prior approval from the parent Ministry and Treasury whenever such variations become necessary.

6.0 CONSTRUCTION OF MULTI STOREY CAR PARK

RECOMMENDATION

The Committee recommends that in view of the unprofessional manner in which the whole process of conceiving and implementing the car park project was conducted, the Controller and Auditor General should carry out a special Audit on the project which report should be handed to the Committee by September 30th 2006.

Status:- The Controller and Auditor General has indicated that he normally submits her report directly to PIC.

18. EXPORT PROCESSING ZONES AUTHORITY

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF EXPORT PROCESSING ZONES AUTHORITY FOR THE YEAR ENDED 30TH JUNE 1997

1.0 PERSONAL EMOLUMENTS

RECOMMENDATION

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

Status:- The Chief Executive Officer, EPZA reports that the Authority is now abiding by the laid laws and regulations as regards salary increases, in particular section 27(i) and 7(2) of the State Corporations Act and the Export Processing Zones Act.

2.0 SALARY ADVANCES

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that regulations governing issuance of salary advances are strictly adhered to.

Status:- The C.E.O. confirms that proper measures are now in place regarding the payment of salary advances as per Staff Rules and Regulations where advances are monitored and recovered to completion.

3.0 BOARD EXPENSES

RECOMMENDATION

The Committee recommends that all future allowances for the members of the Board should be paid in accordance with the law.

Status: The Chief Executive Officer confirms that Board allowances are now paid in accordance with guidelines on payment of Board Members of State Corporations as issued by the State Corporations Advisory Committee under the Office of the President.

The Committee further recommends that the irregular payments made to the Board members should be recovered without further delay.

Status:- The CEO reports that, in 1997, EPZA was exempted from the provisions of the State Corporations Act, Cap 446. The Inspector General (Corporations) could not therefore invoke the provisions of section 19 of the Act to surcharge for any financial irregularities carried out during that period. This exemption was however lifted in 2002. The monthly allowances to Board members were discontinued and are no longer paid.

4.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that values of all assets of the corporation are included in the Balance Sheet Fixed Assets register.

Status:- The Chief Executive Officer confirms that the Authority now includes the true fair of all assets in the balance sheet fixed assets register

5.0 MISCELLANEOUS INCOME

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Authority re-examines the charges on lease and rent with a review to viewing the same to reflect the prevailing market prices at the zones.

Status:- The Chief Executive Officer confirms that the Authority is in the process of re-examining the charges on lease and rent with a view to reviewing the same to reflect the prevailing market conditions at the zones.

6.0 OTHER PERSONAL ALLOWANCES

RECOMMENDATION

The Committee recommends that the Chief Executive should always avail necessary information to the Controller and Auditor General as and when required.

Status:- The Chief Executive confirms that all necessary information is availed at all times to the Controller and Auditor General.

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF EXPORT PROCESSING ZONES AUTHORITY FOR THE
YEAR ENDED 30TH JUNE 1998**

1.0 MISCELLANEOUS INCOME

RECOMMENDATION

The Committee recommends that the Authority should ensure that the assets are reflected in the books of accounts to avoid overstating the net surplus.

Status:- The Chief Executive confirms that the Authority has now recognized the assets in its books after the hand over and income accruing there from has been accounted for in the books of the Authority according to type of income as opposed to all revenue being aggregated as miscellaneous income.

19. CATERING AND TOURIST DEVELOPMENT LEVY TRUSTEES

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF CATERING & TOURIST DEVELOPMENT LEVY TRUSTEES FOR THE YEAR ENDED 30TH JUNE 1999

1.0 PROPOSED OFFICE BLOCK

RECOMMENDATION

The Committee recommends that before any project is commenced by the Corporation, there should be proper feasibility studies, planning and availability of funds.

Status:- The Chief Executive Officer has confirmed that feasibility studies will be undertaken before commencement of any project. Further Trustees will seek all requisite statutory and policy approvals before commencing on any project.

2.0 SUNDRY DEBTORS

RECOMMENDATION

The Committee recommends that the Trustees should immediately proceed to recover all debts due to them.

Status:- The Chief Executive Officer confirms that appropriate machinery to recover the outstanding amount has been put in place. However, in 1989/99 financial year, Trustees made a provision of doubtful debts of Kshs.8,403,293.00 on account of dishonoured cheques and default by Kenya National Assurance Company.

With regard to former employees, the Trustees are following them up with a view to instituting recovery proceedings against them.

3.0 BOARD OF TRUSTEES AND PAYMENT OF SITTING ALLOWANCES

RECOMMENDATION

The Committee recommends that:-

3.1 The parent Ministry must always ensure that a legally constituted Board is in place to ensure that the functions vested in the Board are properly and legally executed.

Status:- The Permanent Secretary, Ministry of Tourism and Wildlife confirms that the Board of Trustees was constituted by the Hotels and Restaurants Act vide Gazette Notice numbers 532, 533 and 534 of 30th January, 2004.

3.2 The irregular amounts paid to public officers as sitting allowances should be recovered from the recipients.

Status:- CTDLT confirms that the amount of Kshs. 10,000.00 has been recovered in full from the former Board members vide receipt No. 22668 of 1/12/2006.

20. KENYA AGRICULTURAL RESEARCH INSTITUTE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA AGRICULTURAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE 1999

1.0 FINANCIAL POSITION

RECOMMENDATION

The Committee recommends that:-

1.1 The Chief Executive should ensure that the Institute pays up the principal amount of kshs.147,853,741 to be able to negotiate with Kenya Revenue Authority to grant amnesty on the accrued interest in respect to the over Kshs.368 million accumulated as non-remitted P.A.Y.E dues.

Status:- According to the Chief Executive, KARI financial position is weak mainly due to inadequate budgetary allocations over the years since 1986. This has resulted in an accumulation of bills related to statutory deductions. It is reported that, the Institute took the following actions which have improved its financial position:-

- (a) Negotiated for an additional allocation of Kshs.284 million through the Ministry of Agriculture to settle the pending statutory deductions.
- (b) Remittance of all monthly statutory deductions since 1st July, 2000 to avoid any possible accumulation of such debts and also made arrangements to pay a portion of these outstanding bills as agreed and rescheduled with the relevant statutory authorities.
- (c) Austerity measures by cutting down on expenditures especially on utilities, transport and others through proper planning, rationalization of work plans and periodic reviews through monitoring and evaluation, strict financial controls to enhance accountability and good governance.
- (d) Creation of Committees on corruption prevention and audit.
- (e) Entered into a performance contract.

According to the CEO, KARI, through the above actions is enjoying an improved and sustainable financial position. This has also been enhanced by continued financial support from the Government and other development partners.

1.2 The Institute should also explore other avenues of funding to meet its financial obligations and control expenditure.

Status:- The Chief Executive confirms that, the Institute is exploring areas that could generate some Appropriation-in-Aid (revenue) to finance some operational costs without compromising its core mandate of research.

2.1 LAND AND BUILDINGS

RECOMMENDATION

The Committee recommends that the Chief Executive should obtain title deeds for all its parcels of land.

The Committee further recommends that the Chief Executive should follow up the cases of irregularly allocated land with the Commissioner of Lands with a view to having them annulled and returned to the Institute.

Status:- The CEO reports that the Institute has obtained twenty four (24) title deeds for the bulk parcels of her land. Survey work in respect of nine (9) others is in progress. The Institute is now holding letter of allotment for nine (9) pieces of land.

The CEO further confirms that the parcels of KARI land irregularly/illegally alienated and allocated to individuals and institutions were forwarded to the Commission of Inquiry into Irregularly/Illegally allocated Public Land in January 2004 and has since been included in the Ndungu Report for appropriate action.

21. KENYA TRYPANOSOMIASIS RESEARCH INSTITUTE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA TRYPANOSOMIASIS RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE 1997

1.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that title deeds for land at Alupe and any other Institute's land is obtained and valued.

Status: The Chief Executive KETRI, reports that the parcel of land on which the Busia - Alupe complex houses for various government institutions lie, has not been subdivided. The process of subdivision and allotment of the whole parcel of land to various stakeholders has however started. The Centre is therefore not in a position to survey and to pursue and secure a title deed until the subdivision and allotment is completed.

Further, the CEO confirms that, the Centre has two title deeds in her possession for the land at the former KETRI Headquarters at Muguga in Kikuyu Division. These are:-

- a) LR No. 23881 measuring 178.3Ha where Institute Headquarter is housed.
- b) LR No. 23882 measuring 11.29Ha where intermediate and senior staff houses are situated.

2.0 DEBTORS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Institute's laid down procedures and regulations on imprests are adhered to.

Status: The Centre Director, TRC confirms that the laid down procedures and regulations on imprests are currently being adhered to.

3.0 CREDITORS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the matter is concluded to avoid accrual of interests.

Status: The Chief Executive KETRI, confirms that the proceedings were concluded to settle the claim for Sanghani Builders and Contractors under arbitration. The Arbitration Tribunal awarded the plaintiff i.e. J.B. Sangani, V.D. Shangani and T.A. Shangani Bulders a sum of Kshs.65,777,459.

Treasury released Kshs. 48,000,000 to Kenya Agricultural Research Institute and which was paid to the contractor. The balance will be settled soon.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA TRYPANOSOMIASIS RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE 1998

1.0 . FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that title deeds for Alupe and any other Institute's land is obtained and valued.

Status: The Chief Executive KETRI, reports that the parcel of land on which the Busia - Alupe complex houses for various government institutions lie, has not been subdivided. The process of subdivision and allotment of the whole parcel of land to various stakeholders has however started. The Centre is therefore not in a position to survey and to pursue and secure a title deed until the subdivision and allotment is completed.

Further, the CEO confirms that, the Centre has two title deeds in her possession for the land at the former KETRI Headquarters at Muguga in Kikuyu Division. These are:-

- a) LR No. 23881 measuring 178.3Ha where Institute Headquarter is housed.
- b) LR No. 23882 measuring 11.29Ha where intermediate and senior staff houses are situated.

2.0 CREDITORS

RECOMMENDATION

The Committee recommends that the Chief Executive should pursue the matter in court to ensure expedient resolution so as to avoid accrual of interest on the same.

Status: The Chief Executive KETRI, confirms that the proceedings were concluded to settle the claim for Sanghani Builders and Contractors under arbitration. The Arbitration Tribunal awarded the plaintiff i.e. J.B. Sangani, V.D. Shangani and T.A. Shangani Builders a sum of Kshs.65,777,459.

Treasury released Kshs. 48,000,000 to Kenya Agricultural Research Institute and which was paid to the contractor. The balance will be settled soon.

22. KENYA INDUSTRIAL RESEARCH & DEVELOPMENT INSTITUTE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA INDUSTRIAL RESEARCH & DEVELOPMENT INSTITUTE FOR THE YEAR ENDED 30TH JUNE 1995

1.0 DELAY IN SUBMISSION OF ACCOUNTS

RECOMMENDATION

The Committee reiterates its earlier recommendation in the 10th report paragraph 1 of the 1993/1994 accounts that any Chief Executive of the Institute who in future causes delay in the submission of accounts for audit should be dismissed from public service.

Status:- The Chief Executive Officer reports that the Institute currently submits its accounts for audit in time according to the Law.

2.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Institute obtains title deed for plot LR - 15292 Kibos Road by 30th September, 2006.

Status:- The Chief Executive Officer reports that the Institute has not been able to obtain a title deed for LR.15292 Kibos Road Kisumu to date. This is due to a technical problem detected during the title deed processing where it was discovered that there was double registration. The error has now been rectified and a new registration number i.e. LR.27211 issued. In addition, the land rate has been waived. The title deed is currently being processed by the Commissioner of Lands.

3.0 DEBTORS

RECOMMENDATION

The Committee recommends that the Institute should intensify efforts to recover the outstanding debts.

Status:- The Chief Executive Officer submits that the Board of Management had in its F & A meeting of 7th October 1997 authorized write-off of Kshs.286,975.15 considered.

uncollectible and a schedule forwarded to the Auditor General's Office. The Institute has since formed a debt collection unit to work closely with a professional debt collector in order to ensure recovery of all the outstanding debts. According to the CEO any uncollectible balance will be recommended to the Board for appropriate action.

4.0 ADVANCES AND PAYMENTS

RECOMMENDATION

The committee recommends that:-

4.1 The registers should be availed to the Controller and Auditor General for verification and reconciliation.

Status:- The Chief Executive Officer reports that the Institute has been able to account for Kshs.2,446,863 as part of the below the line account reconciliation and appropriate changes will be incorporated in the following year's final accounts.

4.2 The Chief Executive should ensure that the Institute maintains up-to-date registers for salary advances, imprests and prepayments, and maintain proper books of accounts.

Status:- The Chief Executive Officer reports that registers for salary advances, imprests and payments have been updated in line with standard accounting practices and will also be availed during the annual accounts audit of 2006/2007.

5.0 INVESTMENTS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that surplus funds are invested in accordance with Treasury Circulars.

Status:- The Chief Executive Officer reports that the Institute managed to recover all the money owed by Thabiti Finance Company through the Deposit Protection Fund. The total amount of Kshs.1,940,000 was recovered on various dates. It is reported that, the same information has been passed to the Controller and Auditor General.

6.0 CASH MISAPPROPRIATION

RECOMMENDATION

The Committee recommends that the Institute should maintain a proper cash handling system and streamline it to avoid losses.

Status:- The CEO reports that the Institute now maintains a proper cash handling system.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA INDUSTRIAL RESEARCH & DEVELOPMENT INSTITUTE FOR THE YEAR ENDED 30TH JUNE 1996

1.0 DEBTORS

RECOMMENDATION

The Committee recommends that the Institute should intensify efforts to recover outstanding debts.

Status: The Chief Executive Officer submits that the Board of Management had in its F & A meeting of 7th October 1997 authorized write-off of Kshs. 286,975.15 considered bad debts and a schedule forwarded to the Auditor General's Office. The Institute has since formed a debt collection unit to work closely with a professional debt collector in order to ensure recovery of all the outstanding debts. According to the CEO, any outstanding debt remaining thereafter will be recommended to the Board of Management for write-off.

2.0 ADVANCES AND PREPAYMENTS

RECOMMENDATION

The Committee recommends that:-

2.1 The registers should be availed to the Auditors for verification and reconciliations.

Status: The Chief Executive Officer reports that the Institute has been able to account for Kshs. 2,446,863 part of the below the line account reconciliation and appropriate changes will be incorporated in this year's final accounts. The payment vouchers, journal entries will be availed to the auditors during the final audit.

- 2.2. The Chief Executive should ensure that the Institute maintains up-to-date registers for salary advances imprests and prepayments.**

Status: The Chief Executive Officer reports that the registers have been updated in line with reconciliation and will also be availed during the annual accounts audit. The CEO reports that currently the Institute maintains up-to-date register for salary advances, imprests and prepayments.

3.0 PENSION SCHEME

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that pension funds are administered in accordance with the Retirement Benefits Authority Act.

Status:- The Chief Executive Officer reports that the Institute registered a Pension Scheme with effect from 1st January 2000. The pension funds are now administered in accordance with Retirement Benefits Authority Act.

23. EWASO NG'IRO SOUTH DEVELOPMENT AUTHORITY

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF EWASO NG'IRO SOUTH DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 1997

1.0 PURCHASE OF MOTOR VEHICLE

RECOMMENDATION

The Committee recommends that the Authority must adhere to procurement procedures currently in force in procurement of goods and services.

Status:- The Managing Director, Ewaso Ngiro South Development Authority confirms that the Authority currently adheres to procurement rules in place.

2.0 BUDGET AND BUDGETARY CONTROL

RECOMMENDATION

The Committee recommends that the Authority should operate within its approved budget.

Status:- The Managing Director, Ewaso Ngiro South Development Authority confirms that the Authority is operating within the approved budget

3.0 PROFESSIONAL CHARGES - KSHS.1, 568,321

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that government regulations pertaining to procurement of goods and services are adhered to without exception.

Status: The Managing Director, Ewaso Ngiro South Development Authority confirms that the Authority currently adheres to current procurement rules in place.

4.0 SUSPENSE ACCOUNT

RECOMMENDATION

The Committee recommends that the Chief Executive should avail records in support of the Kshs.187, 241 to the Kenya National Audit Office for verification and reconciliation.

Status: The Managing Director, Ewaso Ngiro South Development Authority reports that the suspense account was reconciled and written off as per the financial report for the period ended 30th June 2005 which is available for audit.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF EWASO NG'IRO SOUTH DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 1999

1.0 BUDGETARY CONTROL

RECOMMENDATION

The Committee recommends that the Chief Executive should seek post-facto authority for the over expenditure of Kshs.3, 482, 972 and the Authority should operate within the approved budget.

Status: The Chief Executive Officer has reported that the Authority is in the process of seeking post facto action for the over expenditure of Kshs. 3,482,972.

2.0 PROFESSIONAL CHARGES

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure government regulations pertaining to procurement of goods and services are adhered to without exception.

Status: The Managing Director, Ewaso Ngiro South Development Authority confirms that the Authority currently adheres to current procurement rules in place.

3.0 SUSPENSE ACCOUNT

RECOMMENATION

The Committee recommends that the chief Executive should reconcile the suspense amount of Kshs.427, 983 in the Accounts of the Authority.

Status:- The Managing Director, Ewaso Ngiro South Development Authority confirms that the suspense account was reconciled and written off as per the financial report for the period ended 30th June 2005.

24. KENYA FERRY SERVICES

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA FERRY SERVICES FOR THE YEAR ENDED 30TH JUNE 1997

1.0 GOING CONCERN

RECOMMENDATION

The Committee recommends that the Government should continue allocating adequate funding to the Company to ensure it fulfils its mandate.

Status:- The Government has continued to support Kenya Ferry Services within the available limited resources. During 2006/07 FY KFS was allocated to a total of Kshs. 120 million.

2.0 SUNDRY DEBTORS

RECOMMENDATION

The Committee recommends that the Director of Criminal Investigations Department and the Chief Executive should ensure that the matter is investigated and resolved not later than December 31, 2006.

Status:- The Managing Director, Kenya Ferry Services confirms that the company is pursuing the matter with the Director of Criminal Investigation Department to ensure it is resolved before December 31 2006. Further, Treasury wrote to Commissioner of Police requesting for the progress made on this matter vide letter ref. Conf. 268/03/1 dated December 1, 2006.

At the time of going to print we were still awaiting a response from the Commissioner of Police on this matter.

3.0 SERVICE PAY BENEFITS

RECOMMENDATION

The Committee recommends that:-

3.1 The Chief Executive should liaise with the Deposit Protection Fund with a view to recovering the balance of the amount deposited in the Kenya Finance Bank (under liquidation).

Status:- The Managing Director, Kenya Ferry Services reports that the he is liaising with the Deposit Protection Fund to ensure that the balance of Kshs.1, 966,000 is recovered.

3.2 The Chief Executive should ensure that the pay benefits are managed in accordance with the Retirements Benefits Authority Act.

Status:- The Managing Director, Kenya Ferry Services reports that the corporation is now complying with the Retirement Benefits Authority Act and the funds are being managed by ICEA.

4.0 ADVANCES FROM KENYA PORTS AUTHORITY

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the full amount of money of Kshs.9,225,000 with interest accrued, invested in M/s Suli Suli African Cruises (K) Ltd is recovered.

Status:- KACC was requested by KFS and Treasury to assist with the recovery of money owed by Suli Suli African Cruises (K) Ltd.

KACC has indicated that investigations are being carried out albeit with difficulties ostensibly because one of the key players i.e. the former MD. D. Plassi has reportedly fled the country. At the same time KACC is trying to trace Suli Suli's assets with a view to appropriate them to recover the debt.

5.0 PAYMENT OF PROFESSIONAL FEES

RECOMMENDATION

The Committee recommends that the Chief Executive should provide a signed contract agreement between the Company and the firm of the valuers showing consultancy fee rate chargeable and other expenses to the Controller and Auditor General for verification by December 31, 2006.

Status:- The Managing Director, Kenya Ferry Services confirms that he is liaising with the Company Secretary Tyson Valuers Ltd to provide a signed contract between the corporation and Tyson Ltd.

6.0 BUDGETARY CONTROL

RECOMMENDATION

The Committee recommends that the Company should seek post-facto approval of expenditure of Kshs.17,699,057 and desist from over incurring expenditures.

Status: The Managing Director, Kenya Ferry Services reports that, through the Permanent Secretary, Ministry of Transport, the corporation has sought for a post-facto approval of the expenditure of Kshs.17, 699,057 and has desisted from over incurring expenditure.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA FERRY SERVICES FOR THE YEAR ENDED 30TH JUNE 1998

1.0 INVESTMENTS

RECOMMENDATION

The Committee recommends that:-

1.1 The Chief Executive should liaise with the Deposit Protection Fund with a view to recovering the balance of the amount deposited in the Kenya Finance Bank (Under Liquidation).

Status:- The Managing Director, Kenya Ferry Services reports that he is liaising with the Deposit Protection Fund to ensure that the balance of Kshs.1, 966,000 is recovered.

1.2 The Chief Executive should ensure that the pay benefits are managed in accordance with the Retirement Benefits Act.

Status:- The Managing Director, Kenya Ferry Services confirms that the Corporation is now complying with the Retirement Benefits Authority Act and the funds are being managed by ICEA.

2.0 STOCKS

RECOMMENDATION

The Committee recommends that KFS procures goods only when it is necessary to avoid stocks becoming obsolete

Status:- The Managing Director, Kenya Ferry Services reports that the Corporation procures goods only when it is necessary hence there are no obsolete stocks at the moment.

3.0 PROCURMENT OF PUMP SPARES

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that procurement procedures are followed.

Status:- The Managing Director, Kenya Ferry Services confirms that the procurement procedures laid down by law are currently adhered to.

4.0 ADVANCES FROM KENYA PORTS AUTHORITY

RECOMMENDATION

The Committee further recommends that the Chief Executive expeditiously follows up the matter with the Director of the Kenya Anti-corruption Commission.

Status:- KACC was requested by KFS and Treasury to assist with the recovery of money owed by Suli Suli African Cruises (K) Ltd.

KACC has indicated that investigations are being carried out albeit with difficulties ostensibly because one of the key players i.e. the former MD. D. Plassi has reportedly fled the country. At the same time KACC is trying to trace Suli Suli's assets with a view to appropriate them to recover the debt.

25. KENYA FORESTRY RESEARCH INSTITUTE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA FORESTRY RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE, 1998

1.0 FINANCIAL POSITION

RECOMMENDATION

The Committee recommends that the Institute should liaise with the Controller and Auditor General with a view to verifying and reconciling the provision of a sinking fund for the purposes of providing for its fixed assets.

The Committee further recommends that the Institute should prepare its accounts in accordance with International Accounting Standards.

Status: The Director, Kenya Forestry Research Institute reports that, the Institute has verified and reconciled the provision of its sinking fund with Auditor General.

Further the Director confirms that the Institute will always use International Accounting Standards (IA20) in preparation of its final accounts.

2.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Institute's parcels of land in Kitui be valued and their value be incorporated in its accounts.

Status: - The Director, Kenya Forestry Research Institute confirms that the Institute has obtained title/lease deed for three parcels of land at Kitui. In addition, the land has been professionally valued at Kshs. 28,075,000 and included in the Corporation's final accounts.

26. PHARMACY AND POISONS BOARD

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF PHARMACY AND POISONS BOARD FOR THE YEAR ENDED 30TH JUNE 1994

1.0 LATE SUBMISSION OF ACCOUNTS

RECOMMENDATION

The Committee recommends that the Board must always submit its accounts on time and that any Chief Executive of the Board who in future, fails to submit accounts within the statutory time provided for in the Public Audit Act, 2003 should be relieved of his/her duties.

Status:- The Chief Executive accounts for audit in time to the Controller and Auditor General according to law. The 2005/2006 accounts have already been certified.

2.0 ACCUMULATED FUND KSHS.10,667,752

RECOMMENDATION

The Committee recommends that the Registrar liaises with the Office of the Controller and Auditor General and the National Bank of Kenya with a view to obtaining information on the transactions of the accounts and the funds amounting to Kshs.9,522,108.55 and reconcile the Accounts by June 30th 2006.

Status:- The Chief Executive Officer reports that the Board has since reconciled all the monies held by all its bankers as reflected in the certified accounts for 2004/2005.

3.0 BUDGETARY CONTROL

RECOMMENDATION

The Committee recommends that the Board must ensure that it operates an approved budget.

Status:- The Chief Executive Officer reports that the Board is currently operating on approved budget as per Sections 11 and 12 of the State Corporations Act. The 2006/2007 annual budget was approved by the parent Ministry and Treasury.

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF PHARMACY AND POISONS BOARD FOR THE YEAR
ENDED 30TH JUNE 1995**

1.0 LATE SUBMISSION OF ACCOUNTS

RECOMMENDATION

The Committee recommends that the Board must submit its accounts on time and that any Chief Executive of the Board who, in future fails to submit accounts within the statutory time provided for in the Public Audit Act, 2003 should be relieved of his/her duties.

Status:- The Chief Executive Officer reports that the Board currently submits its accounts for audit in time to the Controller and Auditor General according to Law. The 2004/2005 Accounts have already been certified.

2.0 BUDGETARY CONTROL

RECOMMENDATION

The Committee recommends that the Board must ensure that it operates an approved budget.

Status:- The Chief Executive Officer reports that the Board is currently operating on approved budget as per Section 11 and 12 of the State Corporations Act. The 2006/2007 annual budget was approved by the parent Ministry and Treasury.

27. JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY FOR THE YEAR ENDED 30TH JUNE 1998

1.0 FINANCIAL POSITION

RECOMMENDATION

The Committee reiterates its earlier recommendations in the 10th report that:-

- 1.1 The Vice-Chancellor and the parent Ministry- should review students' per unit cost with a view to increasing the funding level of the University.**

Status:- The Vice-Chancellor reports that the Ministry of Education and Treasury in collaboration with JKU have kept on increasing the amounts of approved budget from year to year with a view to bridge the University's deficit. The Controller and Auditor General's reports on accounts of the University for the years June 2002, 2003 and 2004 were certified as clean accounts. It is further reported that the University submits its annual budgets to Treasury through the line Ministry for approval based on the programme unit cost.

- 1.2 The University should pursue other means of generating income to meet its financial obligations.**

Status:- The Vice-Chancellor reports that in order to generate income, the University has started running Arts based programmes which are less costly as compared to the existing technical programmes to enhance the University's financial position.

- 1.3 The University should rationalize its expenditure with a view to improving its financial position.**

Status:- The Vice Chancellor reports that the University has started rationalizing its expenditure with a view to reducing its total cost. However, this will be done without comprising the quality of the teaching materials for the technical programmes and education at the University.

2.0 SHORT TERM DEPOSITS

RECOMMENDATION

The Committee recommends that the Vice-Chancellor pursues the balances with the receivers of the bank with a view to recovering the said balance with accrued interests.

Status:- The Vice-Chancellor reports that the Liquidator of Trade Bank (in liquidation) has confirmed that the fixed deposit balance is Kshs. 8,663,201.90 of the University falls under the ordinary creditors (unpreferred and unsecured). The Deposit Protection Fund recognizes this liability and future payments shall only be made if sufficient funds become available through debt recovery and the sale of the bank's assets

He further reports that, the Liquidator of Kenya Finance Bank Ltd (in liquidation) has confirmed that the fixed deposit balance is Kshs. 21,585,142.05 and the University falls under the unsecured creditors. The liquidation agent recognizes this liability and future payments shall only be made if sufficient funds become available through debt recovery and the sale of the bank assets.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY FOR THE YEAR ENDED 30TH JUNE 1999

1.0 FINANCIAL POSITION

RECOMMENDATION

The Committee reiterates its earlier recommendations in the 10th report that:-

1.1. The Vice-Chancellor and the parent Ministry should review students' per unit cost with a view to increasing the funding level of the University.

Status:- The Vice-Chancellor reports that the Ministry of Education and Treasury in collaboration with JKU have kept on increasing the amounts of approved budget from year to year with a view to bridge the University's deficit. The Controller and Auditor General's reports on accounts of the University for the years June 2002, 2003 and 2004 were certified as clean accounts. It is further reported that the University

submits its annual budgets to Treasury through the line Ministry for approval based on the programme unit cost.

1.2 The University should pursue other means of generating income to meet its financial obligations.

Status:- The Vice-Chancellor reports that in order to generate income, the University has started running Arts based programmes which are less costly as compared to the existing technical programmes to enhance the University's financial position.

2.0 SHORT TERM DEPOSITS

RECOMMENDATION

The Committee recommends that the Vice-Chancellor pursues the balances with the receivers of the bank with a view to recovering the said balance with accrued interests.

The Committee further reiterates its earlier recommendation in its 10th report page 272, that the Chief Executive should ensure that treasury regulations governing investments of surplus funds are strictly adhered to.

Status:- The Vice-Chancellor submits that the Liquidator of Trade Bank (in liquidation) has confirmed that the fixed deposit balance is Kshs 8,663,201 90 of the University falls under the ordinary creditors (unpreferred and unsecured). The Deposit Protection Fund recognizes this liability and future payments shall only be made if sufficient funds become available through debt recovery and the sale of the bank's assets.

He further reports that, the Liquidator of Kenya Finance Bank Ltd (in liquidation) has confirmed that the fixed deposit balance is Kshs. 21,585,142.05 and the University falls under the unsecured creditors. The liquidation agent recognizes this liability and future payments shall only be made if sufficient funds become available through debt recovery and the sale of the bank's assets.

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND
TECHNOLOGY FOR THE YEAR ENDED 30TH JUNE 2000**

1.0 SHORT TERM DEPOSITS

RECOMMENDATION

The Committee recommends that the Vice-Chancellor pursues the balances with the receivers of the bank with a view to recovering the said balance with accrued interests.

The Committee further reiterates its earlier recommendation in its 10th report page 272, that the Chief Executive should ensure that Treasury regulations governing investments of surplus funds are strictly adhered to.

Status:- The Vice-Chancellor submits that the Liquidator of Trade Bank (in liquidation) has confirmed that the fixed deposit balance is Kshs. 8,663,201.90 of the University falls under the ordinary creditors (unpreferred and unsecured). The Deposit Protection Fund recognizes this liability and future payments shall only be made if sufficient funds become available through debt recovery and the sale of the bank's assets.

He further reports that, the Liquidator of Kenya Finance Bank Ltd (in liquidation) has confirmed that the fixed deposit balance is Kshs. 21,585,142.05 and the University falls under the unsecured creditors. The liquidation agent recognizes this liability and future payments shall only be made if sufficient funds become available through debt recovery and the sale of the bank assets.

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND
TECHNOLOGY FOR THE YEAR ENDED 30TH JUNE 2001**

1.0 FINANCIAL POSITION

RECOMMENDATION

The Committee reiterates its earlier recommendations it reports that:-

- 1.1. The Vice-Chancellor and the parent Ministry should review students' per unit cost with a view to increasing the funding level of the University.**

Status:- The Vice-Chancellor reports that the Ministry of Education and Treasury in collaboration with JKU have kept on increasing the amounts of approved budget from year to year with a view to bridge the University's deficit. The Controller and Auditor General's reports on accounts of the University for the years June 2002, 2003 and 2004 were certified as clean accounts. It is further reported that the University submits its annual budgets to Treasury through the line Ministry for approval based on the programme unit cost.

1.2 The University should pursue other means of generating income to meet its financial obligations.

Status:- The Vice-Chancellor submits that in pursuit of generating additional funds, the University has started running Art based programmes which are less costly as compared to the existing technical programmes to enhance its financial position.

28. EWASO NG'IRO NORTH RIVER BASIN DEVELOPMENT AUTHORITY

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF EWASO NG'IRO NORTH RIVER BASIN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30TH JUNE 1998

1.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Managing Director should move with speed to obtain title deeds for the Authority's three plots.

Status:- The MD has reported that the Authority is following up the title deeds with Ministry of Lands. In this regard, meetings have been held between ENNRBDA, and Commissioner of Land and the Director of Physical Planning so as to hasten the process

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF EWASO NG'IRO NORTH RIVER BASIN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30TH JUNE 1999

1.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Managing Director should move with speed to obtain title deeds for the Authority's three plots.

Status:- The MD has reported that the Authority is following up the title deeds with Ministry of Lands. In this regard, meetings have been held between ENNRBDA, and Commissioner of Land and the Director of Physical Planning so as to hasten the process.

2.0 BOARD MEETINGS AND IRREGULAR PAYMENT OF ALLOWANCES

RECOMMENDATION

The Committee recommends that the Authority should ensure that the terms and conditions of service for the Authority are reviewed with the approval of the State Corporations Advisory Committee.

The Committee further recommends that the Authority's Board meetings are held in accordance with the law.

Status: The Managing Director reports that the terms and conditions of service for the Authority Board of Directors have already been reviewed and approved in line with the Guidelines on Terms and Conditions of Service for State Corporations issued by the Permanent Secretary and Secretary to Cabinet and Head of Public Service.

Currently, the Authority's Board meetings are held at least four times in a year as required by the Law.

3.0 BUDGET AND BUDGETARY CONTROL

RECOMMENDATION

The Committee recommends that:-

3.1 The Chief Executive should ensure that the Corporation should always run its financial obligations within its approved budget and that amounts allocated by the parent ministry should be appropriated for the intended purposes,

Status:- The Managing Director reports that now the Authority ensures that all the financial obligations are within the approved budget and the budget is itemized as indicated in the recurrent budget.

3.2 The Chief Executive should seek post facto authority for the over expenditure of Kshs.6,511,985 expended on 17 items.

Status:- The Managing Director confirms that the Authority has written to the parent Ministry seeking post facto approval for payments of allowances to its ex-officio members in a letter dated 6th May 2005. The MD has further reported that he is following the issue with the parent Ministry.

29. KENYATTA UNIVERSITY

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYATTA UNIVERSITY FOR THE YEAR ENDED 30TH JUNE, 1998

1.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the University should always maintain an updated fixed Assets Register.

Status:- The Vice Chancellor confirms that the University now maintains a fixed assets register which has been verified by the Controller and Auditor General during their audit exercise every year.

2.0 CEDING OF UNIVERSITY LAND TO OTHER PARTIES

RECOMMENDATION

The report of the Inter-Ministerial Committee be implemented by December 31st 2006 and that the government should in this regard take cognizance of the Public Investment Committee's recommendation in its 10th report (pages 222-223)

Status:- The Vice Chancellor confirms that the University has authorized its lawyer to issue the remaining few squatters notice to move from the old site to their new allocated areas on the 40.82 Acres.

In addition, the University has started formalizing the ceding of the additional 10 acres to house all plots that fell on the riparian reserve of the 30.82 Acres. This will allow the Ministry of Lands to formalize the allotment of plots to respective allottees. The University is in the process of fencing its land.

3.0 DEBTORS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that proper books of accounts are maintained by the University and that all requisite information on accounts is availed to auditors as and when needed for verification.

Status: The Vice-Chancellor confirms that the University maintains proper books of accounts that all information on accounts including the debtors is availed to the Controller and Auditor General as and when needed for verification. This is done all the time when the auditors are carrying out their audit.

30. TANA & ATHI RIVERS DEVELOPMENT AUTHORITY

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF TANA & ATHI RIVERS DEVELOPMENT AUTHORITY FOR THE YEARS ENDED 30TH JUNE 1993

1.0 FINANCIAL POSITION

RECOMMENDATION

The Committee recommends that the government should increase its funding to TARDA to enable it fulfill its mandate as per its establishing Act Cap 443.

Status:- The Government through a task force is in the process of reviewing the mandates of all regional development authorities. The exercise is intended to rationalize the number and operations of the RDAs in addition to determining their optimal financial requirements and the sources of funding.

The Committee further recommends that:-

1.1 The Authority should identify areas that support its endeavor to be self sustaining.

Status:- The CEO confirms that TARDA has embarked on initiatives that are aimed at enhancing the revenue base of the Authority in line with its mandate. These are:-

- (a) Rehabilitation and increase of commercial production of rice at the Tana Delta.
- (b) Development of an integrated sugar production scheme at the Tana River Delta in partnership with Mumias Sugar Co.

1.2 The government immediately honours and implements its recommendation and undertakings as reflected on its Memoranda presented to the Committee vide letter dated February 11th 2005, Ref. OP/CAB/9/161 by the Head of Public Service in respect to the above reference matter.

Status:- The Government through a task force is in the process of reviewing the mandates of all regional development authorities. The exercise is intended to rationalize the number and operations of the RDAs in addition to determining their optimal financial requirements and the sources of

funding. Any outstanding issues with regard to TARDA will be addressed within the context of these reforms

2.0 REVENUE FROM SALE OF HYDRO-ELECTRIC BULK POWER

RECOMMENDATION

The Committee recommends that:-

2.1 The Treasury and KPLC should provide TARDA with data on payments made by KPLC to Treasury to enable the Authority to incorporate the same in its books of accounts.

Status:- This is not necessary since all the payments that KPLC was originally making to TARDA on account of the acquisition of Kiambere and Masinga was terminated by Cabinet and reverted to Treasury. TARDA was thereafter given budgetary support by Treasury.

2.2 The Treasury should take the necessary measures to ensure that the Income Tax Department ceases demanding income tax from the Authority in the income related to the two dams/projects.

Status:- The CEO reports that the Income Tax Department does not demand this tax from TARDA. TARDA does not pay this income tax since KPLC absconded releasing these funds to the Authority in 1998

2.3 The government should amend the agreement with the contracting parties through a novation process to effect the directive that the revenue be remitted to the Treasury.

Status:- In 2000 as part of the re-organisation of the electricity and sub-sector TARDA signed asset transferring agreements and novation agreements which transferred to power generating assets with the related liabilities to KenGen. However there are plans to conclude this exercise.

3.0 OUTSTANDING LOAN REPAYMENTS

RECOMMENDATION

The Committee recommends that the Treasury, KPLC and KenGen should furnish TARDA with information on loan repayments relating

to the two projects to enable TARDA to reflect in its books of accounts.

Status:- This is not necessary since all the payments that KPLC was originally making to TARDA on account of the acquisition of Kiambere and Masinga was terminated by Cabinet and reverted to Treasury. TARDA was thereafter given budgetary support by Treasury.

4.0 DEBTORS AND PREPAYMENTS

RECOMMENDATION

The Committee recommends that:-

4.1 The Chief Executive should ensure that the amounts invested in Consolidated Bank are recovered.

Status:- The CEO confirms that the management has been discussing with Consolidated Bank but was advised that disposal of these shares at the moment is not possible until the Bank is listed on the Nairobi Stock Exchange.

4.2 The Authority should take interest in the affairs of the Bank, with a view to ensuring that the amounts are recovered.

Status: The CEO further reports that the Authority has been participating in the Annual General Meetings of the Bank for the last three years as a shareholder.

5.0 INVESTMENTS – KSHS.24,500,000.00

RECOMMENDATION

The Committee recommends that the Chief Executive should liaise with the Deposit Protection Fund to ensure that the amounts invested in Consolidated Bank are recovered.

Status:- The CEO also states that the management has been discussing with Consolidated Bank but was advised that disposal of these shares at the moment is not possible until the Bank shares are listed through the Nairobi Stock Exchange or if the Treasury releases funds for settlement of such shares held by the Bank

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF TANA & ATHI RIVERS DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED 30TH JUNE 1994**

1.0 SUBMISSION OF ACCOUNTS FOR AUDIT

RECOMMENDATION

The Committee further recommends that:-

- 1.1 The Chief Executive should ensure that the Accounts of the Authority are submitted for audit and forwarded to the National Assembly in accordance with the Public Audit Act, 2003.**

Status: The Chief Executive Officer reports that since 2002/2003 to date, the Authority has been submitting its annual accounts as per Law. Currently the management does not have any pending and uncertified accounts. The 2005/2006 accounts were submitted to the Controller and Auditor General on time.

- 1.2 The government enforces the provisions of Section 45 of the Anti-corruption and Economic Crimes Act, 2003 on any person(s) who fails to comply with section 31 of Cap 412.**

Status:- The Chief Executive Officer submits that the management does not have any pending and unimplemented issues with Controller and Auditor General. The Controller and Auditor General has issued a draft report for 2005/2006 financial accounts

2.0 FINANCIAL POSITION

RECOMMENDATION

The Committee recommends that the government should increase its funding to TARDA to enable it fulfill its mandate as per its enabling Act Cap 443.

Status:- The Government is providing budgetary support to TARDA on annual basis within the available limited resources. The Authority has been encouraged to look for alternative sources of funding as long term solutions are sought through the rationalization of Regional Development Authorities.

3.0 REVENUE FROM SALE OF HYDRO-ELECTRIC BULK POWER

RECOMMENDATION

The Committee recommends that:-

- 3.1 The Treasury and KPLC should provide TARDA with data on payments made by KPLC to Treasury to enable the Authority to incorporate the same in its books of Accounts.**

Status:- This is not necessary since all the payments that KPLC was originally making to TARDA on account of the acquisition of Kiambere and Masinga was terminated by Cabinet and reverted to Treasury. TARDA has thereafter been given budgetary support by Treasury. To this end Treasury has been providing TARDA with the requisite financial support within the available limited resources.

- 3.2 Treasury should take the necessary measures to ensure that the income tax department ceases demanding income tax from the Authority in the income related to the two dams/projects.**

Status:- The Chief Executive Officer submits that Income Tax Department does not demand this tax from TARDA.

- 3.3 The Government should amend the agreement with the contracting parties through a novation process to effect the directive that the revenue be remitted to the Treasury.**

Status:- In 2000 as part of the re-organisation of the electricity sub-section TARDA signed asset transferring and novation agreements which transferred to power generating assets with the related liabilities to KenGen. However there are plans to conclude the outstanding issues between the concerned institutions.

4.0 OUTSTANDING LOAN REPAYMENTS

RECOMMENDATION

The Committee recommends that the Treasury, KPLC and KenGen should furnish TARDA with information on loans repayments relating to the two projects to enable TARDA to reflect the same in its books of accounts.

Status:- This is not necessary since all the payments that KPLC was originally making to TARDA on account of the acquisition of Kiambere and Masinga was terminated by Cabinet and

reverted to Treasury. For this reason it was agreed that TARDA be given budgetary support by Treasury. This has been the case within the available limited resources.

5.0 DEBTORS AND PREPAYMENTS

RECOMMENDATION

The Committee recommends that:-

5.1 The Chief Executive should ensure that the amounts invested in Consolidated Bank are recovered.

Status:- The Chief Executive Officer submits that the Management has been discussing with Consolidated Bank but was advised that disposal of these shares at the moment is not feasible until the Bank is listed at the Nairobi Stock Exchange. TARDA will continue exploring alternative disposal methods.

5.2 The Chief Executive should ensure that Authority's rules and regulations pertaining to imprest are followed without exceptions.

Status:- The Chief Executive Officer reports that the Authority's rules and regulations pertaining to imprest are now followed strictly.

6.0 INVESTMENTS - KSHS.24,500,000

RECOMMENDATION

The Committee recommends that the Chief Executive should liaise with the Deposit Protection Fund to ensure that the amounts invested in Consolidated Bank are recovered.

Status:- The Chief Executive Officer reports that the management has been discussing with Consolidated Bank but was advised that disposal of these shares at the moment is not possible until the Bank is listed on the Nairobi Stock Exchange.

7.0 FUNDS (CASH) FLOW STATEMENT

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Authority maintains proper and up to date books of accounts in accordance with International Accounting Standards.

Status:- The Chief Executive Officer reports that the management has been preparing its accounts as per International Accounting Standards and the draft report by the Controller and Auditor General released to TARDA on 30th November 2006 attests that the Authority complies with those standards.

31. TEA RESEARCH FOUNDATION

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF TEA RESEARCH FOUNDATION FOR THE YEAR ENDED 30TH JUNE 1997

1.0 LAND OWNERSHIP

RECOMMENDATION

The Committee recommends that the parent Ministry facilitates the issuance of title documents for the 20 acres of land at Kangaita, through the Ministry of Lands and Housing and the Ministry of Environment and Natural Resources by 31st December, 2006.

Status:- The Permanent Secretary, Treasury advised the Permanent Secretaries, Ministry of Environment and Natural Resources and that of Ministry of Agriculture to explore options of a lease contract in respect of 20 acres land at Kangaita. Consequently the Permanent Secretary, Ministry of Agriculture agreed that lease of land could be an easier option for TRF in respect of the 20 acres of land at Kangaita.

The Foundation is liaising with the Permanent Secretary, Ministry of Agriculture in processing the lease.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF TEA RESEARCH FOUNDATION FOR THE YEAR ENDED 30TH JUNE 1998

1.0 LAND OWNERSHIP

RECOMMENDATION

The Committee recommends that the parent Ministry facilitates the issuance of title documents for the 20 acres of land at Kangaita, through the Ministry of Lands and Housing and the Ministry of Environment and Natural Resources by 31st December, 2006.

Status:- The Permanent Secretary, Treasury advised the Permanent Secretary, Ministry of Environment and Natural Resources and that of Ministry of Agriculture to explore options of a lease contract. Consequently the Permanent Secretary, Ministry of Agriculture agreed that lease of land could be an easier option.

The foundation has written to the written to the Permanent Secretary, Ministry of Agriculture to request for facilitation in

pursuit of the lease vide letter Ref. DR.GK/1.1 dated 12th September, 2006.

32. KENYA MARINE & FISHERIES INSTITUTE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA MARINE & FISHERIES INSTITUTE FOR THE YEAR ENDED 30TH JUNE, 1997

1.0 STAFF PENSION FUND

RECOMMENDATION

The Committee recommends that the Chief Executive should pursue the payment of the Kshs.15,065,928.35 being the final due from the Kenya National Assurance Company (2001) Ltd.

Status:- The Chief Executive Officer reports that out of the Kshs.15,065,928.35 due from the Kenya Assurance Company (2001) Ltd, a cheque of Kshs.4,557,845.70 was received leaving an outstanding balance of Kshs.10,508,082.65 which is being pursued by the Institute's Insurance Brokers, M/s Sapon Ltd.

2.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Chief Executive pursues the matter of obtaining a title deed for its parcel LR. No. 1148/1389, Kisumu with the Commissioner of Lands and ensure that the same is obtained by 31st December, 2006.

Status:- The Chief Executive Officer reports that the Kisumu Land plot No. L.R.No 1148/1589 is the correct number as it appears on the letter of allotment. Initially KMFRI management had the Deed Plan as the only document of proof for ownership. The management is now pursuing a Title Deed for the plot from the Commissioner of Lands.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA MARINE & FISHERIES INSTITUTE FOR THE YEAR ENDED 30TH JUNE, 1998

1.0 STAFF PENSION FUND

RECOMMENDATION

The Committee recommends that the Chief Executive should pursue the payment of the Kshs.15,065,928.35 being the final due from the Kenya National Assurance Company (2001) Ltd.

Status:- The Chief Executive Officer reports that out of the Kshs.15,065,928.35 due from the Kenya Assurance Company (2001) Ltd, a cheque of Kshs.4,557,845.70 was received leaving an outstanding balance of Kshs.10,508,082.65 which is being pursued by the Institute's Insurance Brokers M/s Sapon Ltd.

2.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Chief Executive pursues the matter of obtaining a title deed for its parcel LR No. 1148/1389, Kisumu with the Commissioner of Lands and ensures that the same is obtained by 31st December, 2006.

Status:- The Chief Executive Officer reports that the Kisumu Land plot No. L.R.No 1148/1589 is the correct number as it appears on the letter of allotment. Initially KMFRI management had the Deed Plan as the only document of proof for ownership. The management is now pursuing a Title Deed for the plot from the Commissioner of Lands.

33. LOCAL AUTHORITIES PROVIDENT FUND

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF LOCAL AUTHORITIES PROVIDENT FUND FOR THE YEAR ENDED 30TH JUNE, 1997

1.0 PAYMENT OF ALLOWANCES TO BOARD MEMBERS

RECOMMENDATION

The Committee recommends that:-

- 1.1 The Chief Executive, recovers the irregular payment made to the Board members, including the amount of Kshs.3,434,800.00 from the officers concerned with immediate effect and confirm progress to the Committee by December 31st 2006.**

Status:- The Chief Executive Officer reports that the Fund sought approval for the allowances through the parent Ministry and subsequently the new rates for Board members' allowances were approved by the then Head of Civil Service and Secretary to the Cabinet on 10th April 2000 since the State Corporations Advisory Committee had not been constituted until 2003. It is further reported that retrospective approval regularizing payments of allowances from the Minister of Local Government was issued on 24th August 2005 and copied to State Corporation Advisory Committee. According to the CEO therefore no recoveries are due and outstanding from the Board Members who were paid rates which were not authorized.

- 1.2 The Fund should be restructured to operate separately from the parent Ministry and carry out its functions as a corporate body.**

Status:- At the time of compiling this report, the CEO, LAPF had not provided the implementation status of this recommendation. It is expected that he will report separately on the progress made to PIC.

The Committee also recommends that the Attorney General without further delay proposes appropriate amendments for consideration by the House on the Local Authorities Provident Fund Act (Cap.272), to provide for meeting of its administrative expenses from its investments income; appropriate reduction of its Board members; specification of the powers and tenure of office of Board Members and specification of liability and method of contributions by local authorities. In this regard, the Chief Executive, in conjunction with

the parent Ministry should expeditiously impel upon the Office of the Attorney General to effect the proposal.

Status:- The Chief Executive Officer submits that the proposed amendment to section 4 (4) of the governing Act were initially forwarded to the Law Reform Commission and the Attorney General in 1999 and later in 2002 but no amendment has been made yet.

2.0 CONTRIBUTION FOR EXPENSES

RECOMMENDATION

The Committee recommends that the Fund should pursue settlement of the outstanding amount of Kshs.61,691,091.30 from the local authorities listed in Appendix II of this Report and confirm progress to the Committee by December 31st, 2006.

Status:- The Chief Executive Officer reports that the Fund has managed to collect a substantial amount of the outstanding contribution arrears. During the year ended 30th June, 2005 contributions in lieu of arrears amounting to Kshs.114,173,504 plus contributions for the period amounting to Kshs.285,445,000 were collected.

3.0 NON REMITTANCE OF CONTRIBUTION BY LOCAL AUTHORITIES

RECOMMENATION

The Committee recommends that:-

3.1 The Fund should pursue the balances of Kshs.481,131,810.00 outstanding from local authorities without further delay.

Status:- The Chief Executive Officer submits that the fund has managed to collect a substantial amount of the outstanding contribution arrears. During the year ended 30th June, 2005 contributions in lieu of arrears amounting to Kshs.114,173,504 plus contributions for the period amounting to Kshs.285,445,000 were collected.

3.2 The Fund should not issue debt clearance certificates to local authorities which have not submitted their members' contributions, and that any person(s) who contravenes or acts contrary be held responsible and dismissed from the service.

Status:- :- At the time of compiling this report, the CEO, LAPF had not provided the implementation status of this

recommendation.

3.3 The Minister for Local Government ensures that the recommendation in (ii) is adhered to without exception.

Status:- At the time of compiling this report, the CEO, LAPF had not provided the implementation status of this recommendation.

4.0 SHORT TERM DEPOSITS

RECOMMENDATION

The Committee recommends that the Fund should apply all means possible including litigation to recover the deposits held by Consolidated Fund.

Status:- The Chief Executive Officer reports that in 1999/2000 financial year, the Fund managed to recover Kshs.300,000 from the Deposit Protection in respect of Middle African Finance Ltd. No other amounts have been recovered. According to the CEO, the Fund has made adequate provisions in its books in the event that the debts are not collected. It is further reported that the Fund is following the progress of the recoveries made from the Deposit Protection Fund and the Attorney General's Office.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF LOCAL AUTHORITIES PROVIDENT FUND FOR THE YEAR ENDED 30TH JUNE, 1998

1.0 PAYMENT OF ALLOWANCES TO BOARD MEMBERS

RECOMMENDATION

1.1 The Chief Executive, recovers the irregular payment made to the Board members, including the amount of Kshs.3,434,800.00 from the officers concerned with immediate effect and confirm progress to the Committee by December 31st 2006.

Status:- The Chief Executive Officer reports that the Fund sought approval for the allowances through the parent Ministry and subsequently the new rates for Board members' allowances were approved by the then Head of Civil Service and Secretary to the Cabinet on 10th April 2000 since the State Corporations Advisory Committee had not been constituted until 2003. It is further reported that retrospective approval regularizing

payments of allowances from the Minister of Local Government was issued on 24th August 2005 and copied to State Corporation Advisory Committee. According to the CEO therefore no recoveries are due and outstanding from the Board Members who were paid rates which were not authorized.

- 1.2 The Chief Executive seeks post facto authority from the State Corporations Advisory Committee to regularize the expenditure of Kshs.84,500.00 which was paid as medical insurance cover for the five Board members.**

Status:- At the time of compiling this report, the CEO, LAPF had not provided the implementation status of this recommendation..

- 1.3 The Fund should be restructured to operate separate from the parent Ministry and carry out its functions as a corporate body.**

Status:- At the time of compiling this report, the CEO, LAPF had not provided the implementation status of this recommendation.

2.0 SHORT TERM DEPOSITS

RECOMMENDATION

The Committee recommends that the Fund should apply all means possible including litigation to recover the deposits.

Status:- The Chief Executive Officer reports that in 1999/2000 financial year, the Fund managed to recover Kshs.300,000 from the Deposit Protection in respect of Middle African Finance Ltd. No other amounts have been recovered. According to the CEO, the Fund has made adequate provisions in its books in the event that the debts are not collected. It is further reported that the Fund is following the progress of the recoveries made from the Deposit Protection Fund and the Attorney General's Office

3.0 NON-REMMITANCE OF CONTRIBUTION BY LOCAL AUTHORITIES

RECOMMENDATION

3.1 The Fund should pursue the balances of Kshs.481,131,810.00 outstanding from local authorities without further delay.

Status:- The Chief Executive Officer submits that the fund has managed to collect a substantial amount of the outstanding contribution arrears. During the year ended 30th June, 2005 contributions in lieu of arrears amounting to Kshs.114,173,504 plus contributions for the period amounting to Kshs.285,445,000 were collected

3.2 The Fund should not issue debt clearance certificates to local authorities which have not submitted their members' contributions, and that any person(s) who contravenes or acts contrary be held responsible and dismissed from the service.

Status:- At the time of compiling this report, the CEO, LAPF had not provided the implementation status of this recommendation.

3.3 The Minister for Local Government ensures that the recommendation in (ii) is adhered to without exception.

Status:- At the time of going to print, the CEO, LAPF had not provided the implementation status of this recommendation.

4.0 CONTRIBUTION FOR EXPENSES

RECOMMENDATION

The Committee recommends that the Fund should pursue settlement of the outstanding amount of Kshs.62,411,215.60 from local authorities listed in Appendix II of this Report and confirm progress to the Committee by December 31st, 2006.

Status:-

The Chief Executive Officer submits that the fund has managed to collect a substantial amount of the outstanding contribution arrears. During the year ended 30th June, 2005 contributions in lieu of arrears amounting to Kshs.114,173,504 plus contributions for the period amounting to Kshs.285,445,000 were collected

34. PYRETHRUM BOARD OF KENYA

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF PYRETHRUM BOARD OF KENYA FOR THE YEAR ENDED 30TH JUNE, 1996

1.0 LATE SUBMISSION OF THE ACCOUNTS FOR AUDIT

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Accounts of the Board are always submitted within the Statutory period and that, any officer who contravenes the law be dismissed and be dealt with in accordance with Section 45 of the Anti-corruption and Economic Crimes Act 2003.

Status:- The Chief Executive reports that the Board will ensure that the accounts of the Board are always submitted within the statutory period and any other who contravenes the law will be dismissed.

2.0 DEBTORS AND PREPAYMENTS - KSHS.475,130,400

RECOMMENDATION

The Committee recommends that:-

2.1 The Chief Executive should pursue the dismissal of the stay orders granted to Mr. Muregi in 1997 with a view to instituting recovery proceedings against him.

Status:- The Chief Executive Confirms that the Board has given instructions to its lawyer to petition the court to lift the stay orders which were granted to Mr. Muregi in 1997 but the court has not fixed the hearing dates.

2.2 The Chief Executive pursues the Nakuru HCCC No. 516 of 2000 with a view of recovering Kshs.693,143.79 owed by Mr. Timothy O. Omata.

Status:- The Chief Executive confirms that the case, Nakuru HCCL No. 516 of 2000 in court against Mr. Timothy O. Omata for recovery of Kshs.693,143.79 is still in progress.

2.3 The Chief Executive should ensure that the Board pursues its debts on time to avoid situations where it would be time-barred under the Limitation of Actions Act.

Status:- The Chief Executive reports that the Board will in future ensure that debts are pursued on time.

3.0 ENCROACHMENT OF THE BOARD'S LAND

RECOMMENDATION

The committee recommends that:-

3.1 The Chief Executive should report the case of fraud by M/s Kitich Agricultural Company Ltd to the Director of Criminal Investigations Department for investigation and a further appropriate action take.

Status:-

The Chief Executive confirms that the case of fraud by M/s Kitch Agriculture Company was reported to the Director of Criminal Investigation Department vide the Board's letter dated 1st August, 2006 but the outcome of the investigations has not been communicated to the Board. The Director CID had not responded by the time we went to print

3.2 The Chief Executive should pursue the Civil Suit HCCC Nakuru No. 142 of 2004 against M/s Kitich Agricultural Company Ltd and M/s Shako Advocates with a view to repossessing the land and refund the Kshs.19 million paid by the purchaser.

Status:- The Chief Executive reports that the Civil Suit, HCC Nakuru No. 142 against Kitch Agriculture Company Ltd and M/s Shako Advocates is being pursued and is in progress.

3.3 The law firms of M/s Shako Advocates and M/s Nancy Njoroge Advocates be reported to the Advocates Complaint Commission for professional misconduct.

Status: The Chief Executive reports that the law firms of M/s Shako Advocates and M/s Nancy Njoroge Advocates will be reported to the Advocates Complaint Commission for professional misconduct. The delay was due to the assumption that Nancy Njoroge Advocates would be the key witnesses in the case but it turned out to be hostile witnesses. The Board established that the former corporate secretary Ms. Kevin Mpaka conspired and gave out all title deeds and signed the transfer documents.

The Board intends to enjoy the following in the suit:-

1. Mr. Joshua Chebor Kiptoon, Former Chief Executive
2. Kevin Mpaka
3. Shaka Advocates
4. Nancy Njoroge Advocates

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF PYRETHRYM BOARD OF KENYA FOR THE YEAR
ENDED 30TH JUNE, 1997**

1.0 COMPOSITION OF THE BOARD

RECOMMENDATION

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 2006.

Status:- The Chief Executive reports that the Board has requested the Inspector of State Corporation to assist in the recovery of Kshs.641,809. The IG(C) is currently collecting the requisite evidence for possible surcharge.

2.0 DEBTORS AND PREPAYMENTS

RECOMMENDATION

The Committee recommends that:-

2.1 The Chief Executive should pursue the dismissal of the stay order granted to Mr. James K. Muregi in 1997 with a view to instituting recovery proceeding against him.

Status:- The Chief Executive reports that the Board has given instructions to its lawyer to petition the court to lift the stay orders which were granted to Mr. Muregi in 1997 but the court has not fixed the hearing dates.

2.2 The Chief Executive pursues the Nakuru HCCC No. 516 of 2000 with a view to recovering Kshs.693,143.79 owed by Mr. Timothy O, Omato.

Status:- The Chief Executive reports that the case, Nakuru HCCL No. 516 of 2000 in court against Mr. Timothy O. Omato for recovery of Kshs.693,143.79 is still in progress.

The Committee further recommends that the Chief Executive should ensure that the Board pursues its debts on time to avoid situations where it would be time barred under the limitation of Actions Act.

Status:- The CEO reports that the Board will continue to pursue its debts conclusively.

3.0 BUDGETARY CONTROL

RECOMMENDATION

The Committee recommends that:-

3.1 The Chief Executive seeks post facto approval from the parent Ministry and the Treasury on the over expenditure of Kshs.89,488,324 on the twenty one items.

Status:- The Chief Executive reports that the exceeded figures in the revised estimates for 1996/97 were approved when the 1997/98 budget was presented along with revised budget for 1996/97.

3.2 The Chief Executive should ensure that the Corporation is run within its approved budget.

Status:- The Chief Executive reports that the Board will ensure that the Corporation is run within the approved budget.

3.3 The then Chief Executive Officer during whose tenure the Corporation exceeded its budget should be held responsible and be barred from holding public office conferred by the Republic of Kenya for contravening the provisions of Section 12 of the State Corporations Act.

Status: The then CEO during whose tenure the Corporation exceeded its budget has not been appointed into a public office.

35. MEDICAL PRACTITIONERS AND DENTISTS BOARD

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF THE MEDICAL PRACTITIONERS AND DENTISTS BOARD FOR THE YEAR ENDED 30 JUNE, 1994

1.0 NON - SUBMISSION OF ACCOUNTS

RECOMMENDATION

The Committee recommends that the Board should be submitting its Accounts for audit according to the law.

Status:- The CEO reports that the Board currently submits its accounts for Audit in time as prescribed by Law. The 2004/2005 accounts have been certified by the Controller and Auditor General. According to the Board, the 2005/2006 accounts were received by the Controller and Auditor General on 29th September 2006.

2.0 LATE SUBMISSION OF ACCOUNTS FOR AUDIT

RECOMMENDATION

The Committee recommends that the Board should in future present its accounts for audit and verification on time and in accordance with the law.

Status:- The Board currently submits its accounts for Audit in time according to the Law. The 2004/2005 accounts have been certified by the Controller and Auditor General. The 2005/2006 accounts were received by the Controller and Auditor General on 29th September 2006.

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF THE MEDICAL PRACTITIONERS AND DENTISTS
BOARD FOR THE YEAR ENDED 30 JUNE, 1995**

1.0 BUDGETARY CONTROL

RECOMMENDATION

The Committee recommends that the Board should in future submit its budget for approval in accordance with section 11 and 12 of the State Corporation Act, (Cap. 446).

Status:- The CEO reports that the Board is currently operating on approved budget as per section 11 and 12 of the State Corporation Act. The 2006/2007 annual budget was presented and approved in time.

2.0 CASH AND BANK BALANCE

RECOMMENDATION

The Committee recommends that the Board should maintain proper books of accounts in accordance with International Accounting Standards.

Status:- The CEO reports that the Board is now maintaining proper books of accounts as reflected in the audit report for the year ending June 2005.

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF THE MEDICAL PRACTITIONERS AND DENTISTS
BOARD FOR THE YEAR ENDED 30 JUNE, 1996**

1.0 UNDERSTATEMENT OF CURRENT ASSETS

RECOMMENDATION

The Committee recommends that the Board should maintain an updated list of its members and debtors.

Status:- The CEO reports that the Board has updated the list of active Doctors Register as evidenced by the Kenya Gazette No. 4306. Using the list, the Board has prepared the arrears of the members which formed part of the audited accounts of the year ending June 2005.

2.0 CASH AND BANK BALANCE

RECOMMENDATION

The Committee recommends that the Board should maintain proper books of accounts in accordance with International Accounting Standards.

Status:- The CEO reports that the Board is now maintaining proper books of accounts as reflected in the audit report for the year ending June 2005.

3.0 HONORARIA PAYMENTS

RECOMMENDATION

The Committee recommends that the Chief Executive recovers the irregular payments of Kshs. 728,375 from the concerned persons.

Status:- The CEO has reported that the Board has written to the Parent Ministry seeking the post facto approval for the Kshs.728,375 honoraria paid to Board Members on inspection visits to medical institutions across the country and Christmas bonuses without prior approval of the Ministry of Health. The Institute is still waiting for the response.

4.0 BUDGETARY CONTROL

RECOMMENDATION

The Committee recommends that the Board should always ensure that its budget is submitted for approval pursuant to section 11 and 12 of the State Corporation Act, (Cap. 446)

Status:- The CEO reports that the Board is currently operating on approved budget as per the section 11 and 12 of the State Corporation Act. The 2006/2007 annual budget was presented and approved in time.

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF THE MEDICAL PRACTITIONERS AND DENTISTS
BOARD FOR THE YEAR ENDED 30 JUNE, 1997**

1.0 LATE SUBMISSION OF ACCOUNTS FOR AUDIT

RECOMMENDATION

The Committee recommends that the Board should, in future present its accounts for audit and verification on time and in accordance with the law.

Status:- The Chief Executive Officer confirms that the Board currently submits its accounts for Audit in time as presented by Law. According to the Board, the 2004/2005 accounts have been certified by the Controller and Auditor General. In addition, the 2005/2006 accounts were received by the Controller and Auditor General on 29th September 2006.

2.0 DEBTORS

RECOMMENDATION

The Committee recommends that the Board should maintain an updated list of its members and debtors.

Status:- The CEO reports that the imprests held by the former staff members were for meeting Board expenses and have since been surrendered. The Board has updated the list of active Doctors' Register as evidenced by the Kenya Gazette No. 4306. Using the list, the Board has prepared the arrears of the members which were part of the audited accounts of the year ending June 2005.

3.0 BUDGETARY CONTROL

RECOMMENDATION

The Committee recommends that the Board should in future submit its budget for approval in accordance with section 11 and 12 of the State Corporation Act, (Cap. 446).

Status:- The CEO submits that the Board is currently operating on approved budget as per the section 11 and 12 of the State Corporation Act. According to the Board the 2006/2007 annual budget was presented and approved in time.

36. KENYA POST OFFICE SAVINGS BANK

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA POST OFFICE SAVINGS BANK FOR THE YEAR ENDED 31ST DECEMBER 2000

1.0 IRREGULAR ACQUISITION OF DEC ALPHA SERVER

RECOMMENDATION

The Committee recommends that the Bank's management should adhere to regulations governing procurement of goods and services.

The Committee further recommends that the Bank should identify the person(s) who aided or abetted in the procurement of the server with view to taking disciplinary action against them including dismissal.

Status: The Managing Director, Kenya Post Office savings Bank reports that the Bank is currently adhering to the procurement regulations with regard to the purchase of goods and services. Further, the Bank identified those who aided in the procurement of the DEC Alpha Server in 1999 and disciplinary action including termination of service was taken against them.

2.0 PROCURMENT OF SYMBOL BANKING SOFTWARE

RECOMMENDATION

The Committee recommends that: -

2.1 In future proper feasibility studies must be conducted prior to implementation of projects and any officer who violates procurement procedures should be held responsible and surcharged for costs and incidentals thereto of the recommendation.

Status: The Managing Director, Post Bank reports that there is full compliance.

2.2. The Bank should identify the person(s) who aided or abetted in the irregular procurement and take disciplinary action including dismissal against the person(s).

Status: The Managing Director, KPOSB confirms that disciplinary action was taken against those who were identified as having

aided and abetted the irregular procurement, and services of the then head of project were terminated.

3.0 STRUCTURED CABLING OF POST BANK HOUSE

RECOMMENDATION

The Committee further recommends that: -

- 3.1 The Chief Executive of the Bank should use all means possible including litigation to recover the Kshs.2, 113,108 from the then Chairman of the Bank's Tender Committee, an amount that represents the difference between the figure that M/s Matrix Group quoted in their late presentation of quotations which he irregularly allowed and the amount that the lowest tendered had quoted.**

Status: The CEO reports that the Bank will evaluate the means available to recover the amount of Kshs.2, 113,108/= from the former Chairman. However, it is noted by the Bank that litigation may not be viable.

- 3.2 Mr. John K. Sambu be barred from holding any public Office conferred by the Republic of Kenya.**

Status: The state law office has been requested to take appropriate action. A response from the Attorney General had not been received by the time we went to print.

4.0 ACQUISITION OF IBM-NET-FINITY FILE SERVERS MODEL 5600 AND 5000

RECOMMENDATION

The Committee recommends that the names of the Board of Directors who sat on 20th January 2000 and the members of the Tender Committee, who sat on 13th January 2000 to approve purchase of the server and irregularly awarded the tender to M/s Matrix Group, should be identified and forwarded to the Inspector General (State Corporations) for surcharge.

The Committee also recommends that any Board member or member of the Bank's staff who flouts regulations governing procurement of

goods and services should be surcharged for the losses and incidentals thereto and dismissed from the service of the Bank.

Status:- The Managing Director, Post Bank reports that the names of the Board Members, who sat on 20th January, 2000 and awarded the IBM Netfinity file server were as follows: -

Mr. John K. Mutinda	-	Chairman
Mr. Isaiah Kiplagat	-	Member
Mr. John K. Sambu	-	Member
Mr. Isaiah Baringa	-	Member
Mr. David A. Chabeda	-	Member
Mr. A. Amolo	-	Member

The members of the Tender Committee who sat on 13th January 2000 were: -

Mr. John Sambu	- Director	- Chairman
Mr. David Chabeda	- Director	- Member
Mr. K. L. Tande	- DMD	- Member
Mr. T. N. Gatumo	- M/FA	-rep. GM/Finance
Mr. J. K. Chepkwony	- M/Ops	- rep. GM/Ops
Mr. K. C. Mlamba	- M/HR	- rep. HR
Mrs. A.N. Koigi	- Ag.GM/ICT	- Member
Mrs. A. W. Karanja	- M/I.Audit	- Member
Mr. G. G. Naivasha	- M/Adm.	- Member
Mrs. M. N. K. Mbijiwe	- Co.Sec.	- Member
Maj. S. K. Njaungiri	- Ag.M/SS	- Member
Mr. W. O. Ouna	- M/ICT	- by invitation
Mrs. M. Morumbasi	- AM/Adm.	- by invitation
Mr. W. Amolo	- AM/PMngt.	- Secretary

ISC is analyzing the information provided by the Bank for further action.

The Managing Director, KPOSB reports that members of staff who flout regulation governing procurement of goods and services will be surcharged for the losses and incidentals thereto and dismissed from the services of the bank.

5.0 IRREGULAR PROCUREMENT OF PERSONAL COMPUTERS

RECOMMENDATION

The Committee recommends that the members of the Board which sat on January 20th 2000, Messrs J.K. Mutinda, John K Sambu, I Baringa, D.A. Chabeda and A. Amolo, to adjudicate and irregularly

awarded the tender to M/s Matrix Group Ltd against the lowest bidder's offer, and against the recommendations of the user department, should be held responsible and be surcharged for the loss of Kshs.3, 721,273.83 that the Bank incurred due to their irregular actions.

The Committee further recommends that M/s Matrix Group Ltd and their directors should be blacklisted and be precluded from award of government/public tenders and should not hold a public office conferred by the Republic of Kenya.

The Committee also recommends that in future, any Board member or staff of the Bank who flouts government procurement procedures should be held responsible and surcharged for the losses thereto.

Status: (i) ISC is analyzing the information provided by the Bank for further action.

(ii) The Managing Director, KPOSB reports that the Bank blacklisted M/s Matrix Group Ltd. from being awarded any tender in the Bank.

Further, the MD reports that the bank will in future hold staff members responsible and have them surcharged for any losses that the bank may incur through flouting of procurement regulations.

6.0 INVESTMENTS IN UNSTABLE BANKS

RECOMMENDATION

The Committee recommends that the Chief Executive should intensify efforts to redeem the outstanding deposits from the receivers and liquidators of the banks and should always invest surplus funds in accordance with Treasury Circulars.

Status: The Managing Director, KPOSB reports that the Bank is currently investing its funds in accordance with the Treasury circulars and the Kenya Post Office Savings Bank Act. Further, efforts are being made to recover the outstanding amount from the receivers and liquidators of the financial institutions under liquidation, and that regular follow up with receiver managers is being made.

7.0 ON-COLLECTION OF RENT

RECOMMENDATION

The Committee recommends that lease agreements with all tenants must be executed without further delay.

Status: The Managing Director, KPOSB reports that the lease agreement for the tenant on 10th Floor of the building is under registered registration process while lease agreements with all other tenants have been signed.

37. KENYA SUGAR BOARD

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA SUGAR BOARD ON THE IMPORTATION OF RAW AND MILL WHILE SUGAR: GAZETTE NOTICE NO. 1405 OF FEBRUARY 25, 2006

The Committee recommends that:-

- (i) **Since the Free-for-All system is prone to abuse by importers in that it allows a "First-come, first-for-the-tariff" basis, the Board in furtherance to powers vested on it by the Sugar Act 2001, should pursue ways of addressing the anomaly.**

Status: The Chief Executive Officer, Kenya Sugar Board reports that the Minister for Agriculture in consultation with the Board has amended the Sugar Imports, Export and By Products) Regulations to provide for a non-discriminatory and liberalized process. The effect of this amendment is that it has equitably opened up the market to all registered importers with no room for preferential treatment. This was done vide Legal Notice No. 2 of 2006 issued on 12th January. Against this background a decision was made to withdraw the 30% quota that was initially set aside for millers until such time as the Board would be satisfied that there are tangible benefits accruing from the preferential treatment to the wider industry to justify the privilege.

- (ii) **The special audit by the Inspector of State Corporations on some management aspects at the Kenya Sugar Board be concluded and acted upon.**

• **Status:-**

- The Chief Executive Officer confirms that the Board formally adopted the position on a non-discriminatory and liberalized regime at its 62nd (special) meeting held on 26th January, 2006. Meanwhile IG(C) has indicated that in due course, he will carry out a follow up audit exercise to establish whether the recommendations contained in his report have been acted upon.

- (iii) **Without compromising the autonomy of the Kenya Sugar Board, and in order to streamline the sector and safeguard national interests in the importation of sugar, an inter-ministerial Committee be formed comprising the Kenya Revenue Authority, Ministry of Agriculture, the Kenya Sugar Board and the Ministry of Trade and Industry representatives to set guidelines on importations by 31st**

December, 2005 and consequently publish the resultant regulations and guidelines, which would then be employed for the import period up to the year 2008.

Status:- The Chief Executive Officer reports that pursuant to this legislative change there has been no discontent among stakeholders and the Board is now playing a more facilitative role. For the 2005/2006 import year, the Board announced modalities for the administration of the imports by way of a Gazette Notice No. 615 of 26th January, 2006 stipulating the various quantities of sugar available for importation in the year and import timings.

The Minister for Agriculture, Hon Kipruto Arap Kirwa refrain from interfering with the day-to-day activities of the Board.

Status:- The Chief Executive Officer states that the Minister for Agriculture does not interfere with the day-to-day activities of the Board.

The Controller and Auditor General conducts a special Audit of the Board in view of the mismanagement aspects raised by the Board's report and present it to the Committee by December 31st, 2006.

Status:- The Controller and Auditor General has reported separately on this issue to PIC.

38. NEW KENYA CO-OPERATIVE CREAMERIES (KCC) LTD

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS ON THE STATUS OF NEW KENYA CO-OPERATIVE CREAMERIES (KCC) LTD - KENYA GAZETTE NOTICE NO.1175 OF FEBRUARY 18, 2005

RECOMMENDATION

The Committee recommends that the government should ensure that its investment in the Co-operative is secure and that the venture is managed in accordance with sound business principles and prudent commercial practices.

Status:- In order to ensure that the New Kenya Cooperative Creameries (KCC) is a secure investment, the government a wholly government corporation was incorporated in which all the assets of the defunct KCC vest. Consequently, the affairs of New KCC are run by a Government appointed Board in line with the State Corporation Act.

The Committee further recommends that the Chief Executive should adhere to the laws under which the Co-operative falls, including and not limited to, the State Corporations Act (Cap. 446) and the Public Audit Act, 2003

Status:- The Chief Executive has confirmed that the Co-operative adheres to and complied with the laws of Kenya in particular the State Corporations Act, Public Audit Act and all Government circulars.

39. TELKOM KENYA LIMITED

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF TELKOM KENYA LIMITED ON THE COAST HEADQUARTERS BUILDING NKRUMAH ROAD MOMBASA/BLOCK XXV/13

RECOMMENDATION

The Committee recommends that:-

- (i) The Chief Executive ensures that the Corporation recovers the Kshs.2,908,279 being the amount that the Corporation has expended on external works from M/s State Investments Ltd. and that the Corporation should not move out of the building until this amount has been recovered from M/s State Investments Ltd or the same recovered from rent payable.**

Status:- The Chief Executive Officer reports that the corporation deemed it prudent, convenient and cost effective to move out of the leased premises into its own premises. There was no need for the company to continue incurring additional costs on rents which would be saved by moving into its own premises. The CEO has clarified that the amount to be recovered is Kshs.2,415,593 and not Kshs.2,908,279 as stated in the recommendation.

Meanwhile, TKL has moved to court to recover the money expended towards the external works of the disputed premises.

- (ii) The Chief Executive pursues all means possible including invoking the arbitration clause in the lease agreement and litigation to ensure that the interests of the Corporation are safeguarded.**

Status:- The CEO confirms that TKL vacated the premises on 31st October, 2006 and has since given vacant possession of the premises back to its owners, Stats Investments.

- (iii) The Chief Executive should ensure that the rules and regulations governing procurement of goods and services are adhered to in the Corporation and that any Board member or staff of the corporation who contravenes procurement regulations should be held responsible and surcharged for any losses and incidentals thereof and dismissed from the service.**

Status:

The CEO confirms that legal proceedings have been instituted through the law firm of M/s Ochieng Onyango, Kibet Ohaga to pursue the recovery of over payment of rent on lease and is pending hearing and determination to recover amounts expended towards external works as recommended.

41. KENYA POWER AND LIGHTING COMPANY LIMITED

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF KENYA POWER AND LIGHTING COMPANY LIMITED FOR THE SUPPLY OF TREATED POLES FOR THE YEAR 2004

RECOMMENDATION

- (i) **Kenya Power and Lighting Company should demand appropriate refund of the differences in costs between light and medium sized poles from M/s Treated Timber Products (Pty) Ltd.**

Status:- The Chief Executive officer reports that demand note has been sent to M/s Treated Timber Products (Pty) of South Africa for refund of the difference in costs between light and medium sized poles.

- (ii) **The Inspector General, State Corporations should institute investigations into the poles importation process employed by the company and report progress to the Committee in three month's time.**

Status:- The Inspector General (Corporations) carried out the investigations as required in the PIC recommendation and issued a report on 14th December 2005. The report was addressed to the Permanent Secretary/Secretary to the Cabinet and Head of Public Service who normally leads the team of the Big Five at the PIC sittings. The Board of the KPLC also appointed a special committee of the Board to carry out a similar exercise. The Inspector General (Corporations) was represented in the Special Board committee the implementation of whose report resulted in the sacking of the immediate former managing director of KPLC.